Annual Report
1987

Public Utilities Board
Alberta

Public Utilities Board

Alberta
11th Floor
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Edmonton, Alberta T5J 2Y2

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March 29, 1988

The Honourable Donald Getty
President of the Executive
Council of Alberta
Legislature Building
EDMONTON, Alberta

ANNUAL REPORT

Dear Sir:

We have the honour to submit herewith the Annual Report of the Public Utilities Board for the year 1987.

In addition to providing the information which is required by statute, this Report provides a brief description of the Board and its responsibilities and highlights significant activities and developments which occurred during 1987.

Yours respectfully,

A.O. Ackroyd

Ammon O. Ackroyd – Chairman

A. Jah – Member

N. W. MacDonald – Member

A. Calista Barfett – Member

R. D. S. Ward – Member

T. Donald Hetherington – Member

J. R. Dunstan – Member

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INTRODUCTION

Purpose and Authorization

The purpose of this Report is to comply with Section 27 of the Public Utilities Board Act, which requires the Board to transmit to the President of the Executive Council by March 31 of each year, a Report for the year ending on the preceding December 31 showing briefly those applications dealt with and summaries of the findings made thereon, and the number and nature of the inquiries the Board has held of its own motion.

In addition to the material required by Statute, this Report contains other information, tables and statistics dealing with the Board's activities which the Board believes will be of interest to readers of the Report.

The Board

The Legislature of the Province of Alberta first created a Board of Public Utility Commissioners by Statute in 1915, and the Statute as at December 31, 1987, the Public Utilities Board Act (RSA 1980, c.P-37), delineates the present Board's jurisdiction. In dealing with matters which the Legislature has assigned to it, the Board has been granted the same status as the Alberta Court of Queen's Bench.

The Board's Decisions and Orders may, with leave, be appealed to the Alberta Court of Appeal (and subsequently, with leave, to the Supreme Court of Canada) on questions of law or jurisdiction. With respect to its quasi-judicial duties, the Board takes its directions from the Alberta Statutes and from the Alberta Government Orders-in-Council.

The Members

The Public Utilities Board Act provides for the appointment, by the Lieutenant Governor in Council, of such number of members, for such terms of office as may be considered appropriate.

Mr. George Chelmick, appointed a Member on March 1, 1977 and Vice Chairman on March 1, 1986, was reappointed on the expiry of his original ten year term on February 28, 1987 for an additional two months, and retired on April 30, 1987.

Mr. Ross W. Paisley, Q.C., appointed a Member on April 1, 1984 for a nine year term, retired on April 15, 1987.

Mr. Anwar Jah, whose ten year term expired May 31, 1987 was reappointed for a further term of three years.

Effective April 15, 1987, Mr. Robert D. S. Ward was appointed a Member for a five year term and Mr. James R. Dunstan was appointed a Member effective on June 1, 1987, also for a five year term.

At year-end the membership of the Board consisted of the following seven Members:

Ammon O. Ackroyd - Chairman

Anwar Jah	Neil W. MacDonald
A. Calista Barfett	Robert D. S. Ward
T. Donald Hetherington	James R. Dunstan

The Public Utilities Board Act provides that the Lieutenant Governor in Council may nominate persons from among whom Acting Members of the Board may be named by the Chairman for any period of time or during any circumstances or for the purpose of any matter before the Board.

At year-end, the following three persons were available to be named by the Chairman:

K. J. Boyd	J. Eugene Sekora
B. O. Archibald	

The Staff

At year-end the Board had 47 authorized staff positions. The staff, reporting to the Secretary and Executive Director, W. Paterson, is divided into five sections: Technical Services responsible for the provision of technical support in the fields of accounting, engineering, economics and law; Regulatory Administration responsible for responding to and assisting the public with complaints involving utilities and the processing of administrative applications; the Finance and Administration section responsible for internal financial matters, personnel and records; Systems section responsible for the operation of the Board's electronic data processing facilities; and Calgary Office, a small secretarial/administrative section in Calgary.

Offices

The Board's offices are located in:

Edmonton	Calgary
11th Floor	10th Floor
10055 - 106 Street	Energy Resources Building
Edmonton, Alberta	640 - 5th Avenue S.W.
T5J 2Y2	Calgary, Alberta
	T2P 0M6
(Phone 427-4901)	(Phone 297-6306)
(Area Code 403)	(Area Code 403)

Financing

With respect to budgetary and administrative matters, the Board reports to the Lieutenant Governor in Council through the Attorney General. The Public Utilities Board Act states that the Board's expenses shall be paid from the Province's General Revenue Fund. For this purpose, the Board operates on a fiscal year beginning on April 1 and ending on March 31 and submits a yearly budget for approval by the Alberta Legislature. As of December 31, 1987, the Board was within its total budget and did not expect any over-run at fiscal year-end, as shown by the table following this Section.

The Board cannot forecast precisely the nature and extent of its regulatory activity in any year as it must respond promptly to all applications received. Therefore, it is difficult to accurately forecast expenditures in the area of Supplies and Services, since these expenses are affected by the number, type, length and complexity of the public hearings the Board must convene.

Expenditure Control/Group	1986/87 Budget	1986/87 Expenditures (Actual)	1987/88 Budget	1987/88* Expenditures (Forecast)
1. Manpower	$2,550,850	$2,290,000	$2,342,400	$2,253,000
2. Supplies & Services	565,900	330,000	446,080	335,000
3. Fixed Assets	106,000	56,000	112,000	112,000
TOTAL	$3,222,750	$2,676,000	$2,900,480	$2,700,000

* These amounts reflect actual expenditures for the period April 1, 1987 to December 31, 1987 plus estimated expenditures for the period January 1, 1988 to March 31, 1988.

RESPONSIBILITIES

Public Utility Regulation

All public utilities and gas utilities, as defined in the Statutes, are subject to Board regulation. All municipally owned utilities are outside of the Board's jurisdiction (except as to specific complaints with respect to their rates) unless the municipality passes a by-law submitting its utility to the control and orders of the Board. No municipality has passed such a by-law that is currently in effect. Rural Electrification Associations are subject to Board control only when agreement cannot be reached with respect to the selling price of their assets upon dissolution. Gas co-operatives are not subject to Board regulation, except (like municipally owned utilities) for specific complaints with respect to their rates. With these exceptions, in Alberta, all telecommunications, electric, water and gas utilities as defined in the Statutes are subject to the jurisdiction of the Board.

The Alberta Legislature has given the Board quasi-judicial powers, but has also provided by Statute that the Board's hearings shall be public, and that the Board shall be subject to the Administrative Procedures Act which, amongst other things, requires that the Board give written reasons for its Decisions. The net result of these legislative provisions is that, although the Board's jurisdiction is absolute in prescribed areas, its operation is open to public scrutiny; its Decisions are written and available to anyone wishing a copy; and its obedience to the law is subject to review in the Courts.

The Board's primary purpose in regulating utilities under its jurisdiction is to ensure that the customers of such regulated utilities receive safe and adequate service at rates which are just and reasonable to both the customers of and investors in those utilities.

As part of the regulatory process, the Board is responsible for reviewing the affairs, earnings and accounts of each owner of a public utility or gas utility within three years of fixing the rates, tolls or charges for such utilities. It is also responsible for exercising "general supervision" over all public utilities and gas utilities and their owners, and ensuring their compliance with the law.

Other Regulatory Functions

Pursuant to more than thirty Alberta Statutes, the Board has been assigned a number of other regulatory responsibilities, most of which are related to public utility regulation. These other duties are briefly described as follows:

(1) The Board sets the price or the pricing formula, in respect of each consumer group, at which owners of public utilities sell electric energy to the Electric Energy Marketing Agency as required pursuant to the Electric Energy Marketing Act.

(2) The entering into of franchise agreements, supply contracts and taxation agreements by municipal councils with a public utility or gas utility are subject to the approval of the Board.

(3) The Board prescribes the minimum prices for fluid milk to be charged by producers, processors, distributors, and sellers.

(4) The Board hears and resolves complaints with respect to rates imposed by municipally owned utilities and member-owned rural gas co-operative associations when it is alleged that such rates:
   (a) do not conform to the rate structure established by the municipality or member-owned co-operative association; or
   (b) have been improperly imposed; or
   (c) are discriminatory.

(5) The Board hears and determines disputes with respect to the rates charged for utility services provided by one municipality to another municipality.

(6) The Board hears and determines disputes with respect to the payment of compensation which may be payable when all or a part of the franchise area of a rural gas utility is annexed to a city, town, village or summer village.

(7) When authorized to do so by Order-in-Council, the Board may fix the field price of natural gas, and the prices of propane and butanes used, consumed, or retained within Alberta.

(8) The Board hears and resolves complaints with respect to the rates charged by NOVA Corporation of Alberta with respect to the transportation of gas within Alberta.

(9) The Board sits as an appellate tribunal with respect to determinations of the "Alberta Cost of Service" made by the Alberta Petroleum Marketing Commission with respect to the transportation of gas within Alberta.

(10) The Board sits as an appellate tribunal with respect to disputes over determinations of transportation costs for natural gas made by the Director of Rebates of the Department of Transportation and Utilities.

(11) The Board sits as an appellate tribunal with respect to disputes over service area boundary decisions made by the Chief Officer as defined in the Rural Gas Act.

(12) The Board performs compensation fixing duties with respect to matters such as the sale of Rural Electrification Association assets and when directed by the Lieutenant Governor in Council, with respect to air pollution damage claims, water pollution damage claims, and environment damage claims.

(13) If there is a dispute between a regional services commission and a municipality or another regional services commission with respect to rates, tolls, charges or compensation for water, sanitary and storm sewerage or waste management services, or the use of any road, street, square, bridge, subway or watercourse by the regional services commission, the dispute may be submitted to the Board for resolution.

(14) The Board hears and determines disputes concerning the construction of public highways over or across irrigation works or regarding the construction and operation of irrigation works across public road allowances pursuant to the Water Resources Act.

(15) All tariffs and tolls of intra-provincial railways must be approved by the Board.

Inquiries

The Lieutenant Governor in Council may, by Order-in-Council, direct the Board to inquire into any matter within its jurisdiction and report thereon. Public hearings are generally held with respect to such inquiries with the result that the Lieutenant Governor in Council receives a report which reflects publicly-tested opinions and well-founded recommendations. The Board may also, on its own motion, inquire into any matter relevant to its regulatory responsibilities.

During 1987, there were two inquiries directed by the Lieutenant Governor in Council. Order-in-Council 211/87 directed that the Board and the Energy Resources Conservation Board together inquire into and report on small power production in Alberta, and Order-in-Council 484/87 directed an inquiry by both Boards into matters relating to the sale of gas within the province, as reported further in the section Other Regulatory Functions.

Administrative Function

The Board performs a statutory "Administrative Function" under the Natural Gas Rebates Act. In this role, the Board is responsible for the detailed scrutiny and review of all gas supply contracts and customer rates for gas which are the subject of rebate applications, to ensure that the customers receive the full benefit of any rebate paid. Pursuant to the Regulations promulgated under the Natural Gas Rebates Act, the Board issues "Supply Certificates" and "Rates Certificates", which are required before the Director of Rebates can approve an application for Rebate.

The foregoing general outline of the Board's responsibilities provides the framework and introduction for a more specific report on the Board's activities during 1987.

Immediately following is a table which provides a statistical summary of the Board's regulatory activity during 1987.

The subsequent sections of this Report together with the Appendices provide details and highlights of the Board's activities.

SUMMARY OF REGULATORY ACTIVITY
1987

This table provides some selected statistics which describe the volume of regulatory activity during 1987 in the same categories used in Appendix 1, "Applications to the Board".

	APPLICATIONS CARRIED FORWARD FROM 1986	APPLICATIONS RECEIVED DURING 1987	TOTAL APPLICATIONS TO BE DEALT WITH IN 1987	APPLICATIONS FINALIZED BY BOARD ORDERS OR DECISIONS	APPLICATIONS FINALIZED WITHOUT BOARD ORDERS OR DECISIONS	TOTAL APPLICATIONS FINALIZED IN 1987	APPLICATIONS CARRIED FORWARD TO 1988	DAYS OF FORMAL HEARINGS	DAYS OF IN-OFFICE HEARINGS
1. Public Utilities, Telecommunications	4	5	9	5	0	5	4	20	0
2. Public Utilities, Electric	6	17	23	18	0	18	5	24	0
3. Public Utilities, Water	0	1	1	0	1	1	0	0	0
4. Gas Utilities, Investor Owned	14	55	69	36	3	39	30	28	0
5. Utilities not offering utility services to the general public	0	2	2	2	0	2	0	0	2
6. Municipalities									
6A. Special Franchise Agreements (the Municipal Government Act)	13	52	65	56	0	56	9	6	19
6B. Supply Contracts (the Municipal Government Act)	0	8	8	7	0	7	1	2	0
6C. Supply and Lighting Agreements (the Improvement Districts Act)	0	0	0	0	0	0	0	0	0
6D. Complaints (the Municipal Government Act)	1	3	4	2	1	3	1	3	0
6E. Other Applications	0	3	3	0	0	0	3	0	0
7. Complaints Under the NOVA Corporation of Alberta Act	0	0	0	0	0	0	0	0	0
8. Appeals Under the Natural Gas Pricing Agreement Act	12	4	16	7	7	14	2	9	0
9. Milk Pricing	0	6	6	2	0	2	4	3	0
10. Other Matters	1	3	4	3	0	3	1	9	0
Totals	51	159[1]	210	138[2]	12[3]	150	60[4]	104[5]	21

[1] Includes cases where the Board acted on its own motion and matters which were referred back to the Board by the Courts.

[2] In 1987, 163 Orders and Decisions were issued by the Board. This reflects the fact that more than one Order or Decision is often issued in respect of the same application. In 1986 there were 153 Orders and Decisions issued.

[3] Includes applications withdrawn by the applicant.

[4] Some applications reflected have been partially dealt with by Board Orders and Decisions but are not yet finalized.

[5] The above table does not include the 16 days of hearings associated with the two Inquiries described in Appendix 7.

Utility Customer Energy Consumption

Appendix 3 to this Report includes a tabulation of increases in the average customer bills from the major energy supplying utilities under Board regulation, that is, the major electric utilities and natural gas utilities.

This tabulation assumes that the average residential customer uses 6,000 kilowatt-hours (kWh) of electricity and 227 gigajoules (GJ) (215,000 cubic feet) of natural gas annually. These were close to the actual average customer consumption figures in 1975. The constant consumption per customer is used so that Appendix 3 will reflect only the changes in a customer's bill resulting from Board approved rate changes.

This Report continues to use the same average consumption as used in previous Reports so that meaningful comparisons from year to year can be made. However, the Board is aware of changes in average energy consumption, and notes below some significant statistics.

The average annual electricity consumption since 1970 for residential customers of Alberta Power Limited was as follows:

Year	Consumption kWh	Year	Consumption kWh
1970	4870	1979	6717
1971	5142	1980	6588
1972	5476	1981	6530
1973	5566	1982	7000
1974	5846	1983	6689
1975	6192	1984	6933
1976	6274	1985	7137
1977	6338	1986	7051
1978	6630	1987	6891

This represents an increase of 41% in the average annual consumption of electricity since 1970. Similarly, for TransAlta Utilities Corporation, the average annual consumption figures show an increase in the same period from 4,527 kWh in 1970 to 6,990 kWh in 1987, an increase of 54%.

Turning to the change in the average annual consumption of natural gas, the Canadian Western Natural Gas Company Limited average annual consumption figures in the Calgary area for the years 1970 to 1987 were as follows:

Year	Consumption GJ	Year	Consumption GJ
1970	223	1979	189
1971	221	1980	189
1972	221	1981	186
1973	219	1982	184
1974	214	1983	179
1975	216	1984	173
1976	213	1985	171
1977	201	1986	170
1978	197	1987	171

Average annual consumption decreased approximately 23% over this period.

The average annual consumption for Northwestern Utilities Limited in the Edmonton area showed a similar decrease from 227 GJ in 1970 to 168 GJ in 1987, a decrease of 26%.

If the Tables in Appendix 3 reflected these changing average annual consumptions rather than the assumed constant average annual consumptions, the average residential utility bills for gas would be lower than those shown and for electricity they would be higher.

Standards, Regulations and Practices

When a customer accepts natural gas or electricity service from a public utility serving him, he is subject to all the rules and regulations adopted by the utility, and these rules and regulations become a part of the contract between the customer and the utility. The Board's authority in this respect is set forth in Section 81(c) of the Public Utilities Board Act as follows:

> "The Board, either on its own initiative or on the application of a person having an interest, may by order in writing, which shall be made after giving notice to and hearing the parties interested,
>
> (c) fix just and reasonable standards, classifications, regulations, practices, measurements or service which shall be furnished, imposed, observed and followed thereafter by the owner of the public utility;"

The history of public utility service in Alberta had been that many utilities developed standards, regulations and practices independently and as a consequence, there were variations in the standards, regulations and practices imposed by the different utilities. The Board noted these differences and, with the objective of making more uniform the conditions of service throughout the Province, had made the setting of standards, regulations and practices an item to be dealt with when a utility appeared before it in a general rate application. Generally, there now exists a reasonable degree of uniformity in the conditions of service.

These conditions of service deal with a number of matters such as guarantee deposits, due date of utility bills, when

and under what circumstances a utility may discontinue service, the lack of access to the premises for meter reading, defective meters, disconnection and reconnection fees, the point of delivery of the gas or electricity, and ownership of and the responsibility for repairs to that part of the system on the customer's premises.

Non-Utility Activities

Until recently the investor owned utilities in Alberta devoted themselves almost exclusively to the provision of utility services to their customers, and their non-utility activities were generally confined to such minor areas as the sale and repair of utility appliances and the provision of minor construction work for customers ancillary to utility service. However, there is a trend for utility companies to expand into fields beyond the provision of utility services. While the regulator is not particularly concerned with such diversification per se, he must be satisfied that such ventures beyond the original purpose of the utility company do not jeopardize the ability of the company to provide safe and adequate utility services at just and reasonable rates and that such non-utility activities are not subsidized by the utility customers.

In an original cost rate base jurisdiction, as Alberta is, the regulator is not responsible for fixing the profitability for total company operations. Rather, the regulator's responsibility is limited to fixing a fair return for utility operations.

In determining a rate base for the utility property of a regulated company, consideration must be given to whether or not the assets are used or required to be used to provide utility services to the public within the regulator's jurisdiction. The regulator must ensure that only those assets applicable to the Board's jurisdiction are considered in the development of the utility rate base.

The regulator is particularly concerned about managerial decisions which may affect the ability of the company to provide safe and adequate utility service at just and reasonable rates. The decision to enter into non-utility activities and to make non-rate base investments is particularly scrutinized as to the effect such activities and investments have on the ability of the utility company to attract necessary capital at reasonable cost rates in order to meet its obligations to provide utility services.

Interventions and Costs

The Board utilizes informed and effective intervention from intervenors representing different classes of customers of the Utility to test the various aspects of the Utility's rate case.

Section 60 of the Public Utilities Board Act provides the Board with discretionary authority to order that costs incurred by the Utility and Intervenors in preparing for the rate case and presenting evidence and arguments before the Board should be paid by the Utility and recovered from the customers of the Utility through the rates. The Board encourages those who have a common interest in proceedings before the Board to combine and/or co-ordinate their presentation so as to minimize duplication.

Before exercising its discretion to award costs, the Board would consider among a number of criteria such questions as the effectiveness of the intervention, its relevancy to the issues, and whether the costs of the intervention had been reasonably and necessarily incurred. The Board is not required to award costs in whole or in part and has in the past disallowed applications for the approval of costs. Applications for costs are considered by the Board after the proceedings have been completed.

The Board encourages any individuals or organizations who may wish to intervene in any proceeding before the Board to contact Board staff for assistance and information relative to such intervention or claim for payment of costs.

The following paragraphs summarize the principal activities of the telecommunications sector dealt with by the Board in 1987. More detailed summaries of the Applications are presented in Section 1 of Appendix 1.

Alberta Government Telephones (1986/87 General Rate Application)

Alberta Government Telephones (AGT) filed a General Rate Application on November 3, 1986. Included in the Application was an Interim Application for individual line service to rural customers (RILS). The City of Calgary (Calgary) agreed to have its Application of May 26, 1986, pursuant to section 72 of the Public Utilities Board Act, which was adjourned sine die on July 3, 1986, heard as part of AGT's General Rate Application. AGT did not include any of the other evidence in support of the General Rate Application.

The Board held a Pre-hearing Conference on November 20, 1986 at which AGT stated the following: (a) it wished to delete the 1988 test year from its General Rate Application; (b) it wanted to have a hearing on RILS separate from the General Rate Application; and (c) it planned to file by January 19, 1987, the evidence-in-chief in support of its Application.

The Board ruled that it would accept AGT's deletion of the 1988 test year and that it would wait for AGT to file all its supporting evidence on January 19, 1987 before setting dates for the hearing of the RILS Interim Application.

AGT filed its evidence on January 19, 1987 and a Pre-Hearing Conference was held February 18, 1987 to set dates for both the Interim RILS Application and the General Rate Application. The General Rate Application was heard in Calgary on June 8-12, 1987, July 6-10, 1987 and July 27-29, 1987. AGT requested a total revenue requirement of $1,060,012,000 for 1986 and $1,061,853,000 for 1987. At year end, a Decision was pending on this Application.

Alberta Government Telephones (Rural Individual Line Service Application)

At the commencement of the proccedings to hear this Application on May 8, 1987, the Board considered that the matters pertaining to RILS should be dealt with and determined on a final basis instead of an interim basis as requested by AGT. The Board set out the procedure by which the RILS issues could be dealt with on a full and final basis encompassing both Phase I and Phase II aspects of RILS. After hearing submissions from the Applicant and interested parties the Board confirmed the procedure to be followed to obtain a final determination. All Phase I aspects of the Application were heard in conjunction with the Phase I General Rate Application Hearings (June 8-12 and July 6-10, 1987). The Phase II matters were heard on July 27, 1987. Decision E87050 dated August 21, 1987, approved rates and terms and conditions of service for RILS.

Alberta Government Telephones (Alta Telecom Licensing Corporation)

In an Application dated March 2, 1987, AGT requested approval from the Board to transfer certain rights to its technology to Alta Telecom Licensing Corporation (ATLC) under section 91.1(2)(d)(i) of the Public Utilities Board Act. Decision E87017 dated May 12, 1987 approved the Application and the regulatory treatment of the operations of ATLC.

Alberta Government Telephones (Alberta-Telecom, Alberta-Saskatchewan, Alberta-Hawaii, WATS and 800 Service Rates)

By letter dated March 6, 1987, AGT applied to the Board to restructure Alberta-Telecom Canada, Alberta-Saskatchewan, Alberta-Hawaii Message Toll rates and WATS and 800 Service rates. In a letter dated April 1, 1987, AGT requested that the Board adjourn this Application sine die. The Board approved the request in a letter to AGT dated April 10, 1987.

AGT subsequently requested that a date be set for hearing the Application. By letter dated August 12, 1987, the Board directed AGT to publish Notice and the matter was set down for a Hearing on October 1, 1987. By letter dated September 18, 1987, AGT stated, inter alia, that the proposed implementation date for Alberta-Hawaii, WATS and 800 Service had been changed to March 1, 1988. The proposed implementation date for Alberta-Telecom Canada and Alberta-Saskatchewan rates remained November 1, 1987.

At the Hearing on October 1, 1987, the Board expressed its reservation in dealing, on an interim basis, with a portion of the Application that had been amended to reflect an implementation date six months in the future. Accordingly, the Board proposed to hear only those matters that required an implementation date of November 1, 1987. All parties present at the Hearing agreed to this proposal.

In Decision E87087 dated October 28, 1987, the Board denied this Application. The Application for Alberta-Hawaii, WATS and 800 Service rates was adjourned sine die.

Alberta Government Telephones (Mandatory Individual Line Service)

AGT filed an Application dated September 14, 1987, to discontinue Multi-Party Service (MPS) as an option after conversion of an exchange to Individual Line Service (ILS) and to make ILS mandatory as the basic service in both rural and urban areas. Decision E87109, approved this Application.

Alberta Government Telephones (Filings)

Filings which require Board approval deal with the deletion of basic services and other changes in rates or regulations associated with most basic services. Filings for acknowledgement deal with the introduction of new basic service offerings, changes in basic rates due to normal station growth or changes in Canada-Overseas Message Toll Rates (basic service). Filings for information involve a consolidation of previously approved or acknowledged filings for entry into AGT's tariffs, or miscellaneous information.

In 1987 the Board received 114 filings from AGT. Two of the filings required public hearings. The first of the two

involved an application for approval of expanded services for users of Telephone Device for the Deaf (TDD) (Filing 87-39). The second filing involved an application to discontinue High Frequency (HF) Radio Telephone Service within Alberta (Filing 87-40). Five filings for acknowledgement were returned to AGT as, in the opinion of the Board, they required approval through the hearing process. No application had been received as of the year end on these five filings.

Order E87043 dated June 1, 1987 approved AGT's Filing 87-39 to allow the 50% discount for users of a TDD, previously applied only to calls placed within Alberta, now to be applied to calls placed to all points within Canada. These calls must be placed through a special operator.

Order E87044 dated June 1, 1987, approved AGT's Filing 87-40 to discontinue HF Radio Telephone Service within Alberta on or after November 1, 1987. Filing 87-40 had originally proposed a June 1, 1987 date for deletion of the service.

The Board acknowledged four filings for addition of new services. Filing 87-38 added a service called Personal Auto-Dial Alarm System (PADAS) allowing connection of these medical devices to rural as well as urban telephone lines. Filing 87-98 requested acknowledgement of a new service called Customized Telephone Numbers allowing customers to preselect the last four digits of their telephone number. Filing 87-97 added a new service called Message Relay Service allowing communication between TDD users and regular subscribers. Filing 87-103 requested acknowledgement of a new service called Public Telephone Service. This new service will permit use of major credit cards to make local and long distance telephone calls.

The Board also acknowledged Filing 87-108 which substantially restructured overseas rates resulting in an average 15% decrease to the caller.

General

There are two major privately-owned electric utilities under full Board regulation in Alberta. TransAlta Utilities Corporation (TransAlta) serves approximately 292,000 customers directly and 293,000 indirectly (through wholesale contracts with municipally-owned electric power distribution systems), in the southern and central areas of the province. Alberta Power Limited (APL) serves approximately 140,000 customers in the northern and eastern areas of the province. Southern Utilities Limited, another privately-owned electric utility, which serves approximately 200 customers in Coutts, Alberta, is also under full Board regulation.

The City of Edmonton (Edmonton Power) owns and operates a fully integrated electric utility serving approximately 234,000 customers within its corporate limits. Since the enactment of the Electric Energy Marketing Act the Board has the responsibility for setting the price at which Edmonton Power sells electric energy to the Alberta Electric Energy Marketing Agency. The Board has no jurisdiction to fix Edmonton Power's customer rates.

Following are details of some applications which are of special interest either because of the nature of the problem the electric utility faced or the regulatory treatment given by the Board.

Particulars of the applications and highlights of the resulting orders are summarized in Section 2 of Appendix 1.

Alberta Power Limited

The Phase I proceedings related to Alberta Power Limited's (APL) June 4, 1986 General Rate Application wherein the Board determined APL's revenue requirement for test years 1986 and 1987, were completed in 1987. The Phase II proceedings for restructuring of APL's rates were completed prior to the Phase I proceedings, in 1986.

In Phase I Decision E87025 dated April 2, 1987 the Board reduced the revenue requirement requested by APL by $28,900,000 in respect of 1986 and $31,687,000 for 1987. Some issues of note, dealt with in Decision E87025 are as follows:

The Board allowed the Sheerness 1 generating plant, which was commissioned on January 1, 1986, to be included in rate base. The Board, however, made a downward adjustment to APL's rate of return on common equity in view of its decision to include Sheerness 1 in rate base notwithstanding evidence that showed there was excess capacity on the Alberta Interconnected System.

The Board excluded certain coal rights and coal leases related to the Sheerness generation station and amounting to about $11 million, from rate base for the reason that they were not used or required to be used to provide service to customers in 1986 and 1987.

The Board recognized unbilled revenues and financial items (debt interest, preferred dividends and common return) in the calculation of necessary working capital.

With respect to confidentiality of coal cost information claimed by APL, the Board stated that all coal cost

information brought before the Board in support of an application should be open to scrutiny in a public hearing.

In view of the unusual sequence of the proceedings whereby the Phase I proceedings followed the Phase II proceedings the Board conducted a Mini Phase II hearing to adjust rate levels to the Board determined revenue requirement for APL. By Order E87046 dated May 29, 1987 and Decision E87068 dated July 27, 1987 the Board approved final rates for APL following the Mini Phase II hearing.

On June 9, 1987, APL applied for a review and variance of Board Decision E87025. In Decision E87083 dated September 18, 1987 the Board considered that a review and variance of Decision E87025 was appropriate with respect to the following issues:

An increase in the income tax expense for 1987 resulting from the Provincial Budget announced on March 20, 1987.

Correction of a clerical error in the Board's calculation of coal costs for 1986 and 1987.

In Decision E87098 dated October 19, 1987 the Board approved rates to reflect the changes to revenue requirement resulting from the review and variance of Decision E87025 respecting income tax and coal costs.

Consideration of APL's external hearing costs and Intervenors' hearing costs will continue in 1988.

TransAlta Utilities Corporation

In Decision E87042 dated June 3, 1987 the Board approved, inter alia, a 3.5% across-the-board rider in respect of TransAlta's increased provincial income taxes resulting from the March 20, 1987 provincial budget. All revenues from the income tax rider were expected to be offset by a corresponding increase in the level of the income tax rebate. The Board considered that the higher income taxes were significant in amount and beyond TransAlta's control and further, that the Board has, in the past, made adjustments to a utility's rates to take into account the changes in applicable taxes or royalties imposed by senior governments, when such changes were significant and could not be forecast by the utility.

Electric Energy Marketing Act

General

On September 1, 1982 the Electric Energy Marketing Act came into force. Since then, TransAlta Utilities Corporation (TransAlta), Alberta Power Limited (APL) and The City of Edmonton (Edmonton Power) have been required to sell to the Alberta Electric Energy Marketing Agency (the Agency) electric energy generated and transmitted by them, at a price set by the Board. These prices are set based upon the cost of generating and transmitting electric energy to the designated pooling interface points. The Agency has pooled these costs and resold the electric energy to the three utilities at an average price. By averaging generation and transmission costs, a measure of equalization of electric energy costs throughout Alberta is achieved.

The averaged price at which TransAlta and more recently Edmonton Power repurchase electric energy from the Agency is higher than the price at which they sell to the Agency. This has resulted in increases in the cost of electric energy. To ease the impact of such increases, the Alberta Government established a shielding program which was intended to be ultimately phased out. The following amounts of shielding have been provided to date:

September 1, 1982 - August 31, 1983	100%
September 1, 1983 - August 31, 1984	80%
September 1, 1984 - August 31, 1986	60%
September 1, 1986 - August 31, 1987	40%
September 1, 1987 - March 31, 1988	20%

On November 13, 1984, the Electric Energy Marketing Amendment Act, 1984 came into force. The amendments provided that costs upstream of the pooling interfaces would be further separated by consumer groups as identified by Regulation. Provisions were also made for the forecast utility selling prices to the Agency to be retroactively adjusted based on the actual operating results of the utilities.

During 1987, APL received approximately $74 million in benefits arising from the Agency's operation which were passed through to its customers.

In contrast, the net costs to Edmonton Power and TransAlta arising from the Agency's operation were approximately $35 million each, after Government shielding.

Adjustment of the 1985 Price to the Agency

Following a joint application dated May 9, 1986 by APL, Edmonton Power and TransAlta, to adjust the price or pricing formula to sell electric energy to the Agency in 1985, the Board issued Order E86100 dated December 19, 1986. The net effect of Order E86100 and the repooling by the Agency including income tax rebates was to reduce the transfer payments to APL and Edmonton Power from the Agency by $14.2 million and $13.6 million respectively in

1987. Conversely, TransAlta's transfer payment was increased by $13.0 million and Government shielding reduced by $14.8 million.

The Board's reasons in respect of Order E86100 and the directions for future filings were contained in Decision E87001 issued on February 10, 1987. A summary of the issues dealt with by the Board in Decision E87001 is set out in Appendix 1, Section 2.

On March 16, 1987, APL filed an Application for review and variance of Order E86100 and Decision E87001. By Decision E87048 dated June 16, 1987, the Board partially reviewed and varied Order E86100 and Decision E87001. A summary of Decision E87048 is set out in Appendix 1, Section 2.

By Order E87022 dated March 20, 1987, as amended, and Order E87042 dated June 3, 1987, APL and TransAlta gave effect to the adjustments flowing from the 1985 EEMA Adjustment Proceedings.

Adjustment of the 1986 Price to the Agency

On May 7, 1987, APL, Edmonton Power and TransAlta made a joint application for an Order or Orders of the Board adjusting the price for electric energy sold to the Agency in respect of each consumer group, for the year 1986. These prices had previously been set by Board Orders E86080, E86081 and E86082 dated October 31, 1986.

Following a Pre-Hearing Conference, the Board by Resolution, initiated a Board Staff Inquiry and Report. The purpose of the Inquiry and Report was to review and analyze in detail the information filed by the three owners respecting 1986, identify any errors, inconsistencies or other problems with respect to the facts and methods used to develop the filed costs and thus assist those persons having an interest. The Staff Report was issued on July 15, 1987.

The hearing of the Adjustment Proceedings took place from September 21 to September 30, 1987 inclusive.

By Decision E87100 dated December 18, 1987, the Board adjusted the price or pricing formula to sell electric energy to the Agency for 1986. A summary of Decision E87100 is provided in Appendix 1, Section 2.

The net effect of Decision E87100 and the repooling by the Agency, including income tax rebates, was to reduce the transfer payments to APL and Edmonton Power from the Agency by $28.5 million and $7.9 million respectively in 1988. Conversely, TransAlta's transfer payment was increased by $21.2 million and Government shielding reduced by $15.2 million.

Forecast of the 1988 Price to the Agency

On October 30, 1987, the Board issued Orders E87110, E87111 and E87112 which set the price in respect of each consumer group at which APL, Edmonton Power and TransAlta respectively, shall sell electric energy to the Agency in 1988.

Gas Utilities: General

Energy Pricing

Prior to November 1986, gas sold for consumption in Alberta could not exceed regulated prices. This was effectively imposed on long term contracts between producers and Alberta distributors through the combination of that regulated ceiling price and Section 17 of the Arbitration Act, which required arbitrators to settle contract disputes on the basis of prices of alternative fuels in the markets served by the buyer.

Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL), the two major gas distribution utilities in Alberta have a substantial portion of their gas requirements under long term contracts with producers. In addition, a portion of their supply is obtained through their own production, through gas purchased from export companies, and short term supplies purchased on the spot market.

The removal of the Alberta Border Price and the amendment of Section 17 of the Arbitration Act, have provided the means for renegotiation of prices by the gas distribution utilities. CWNG and NUL have concluded renegotiations of about 98% by volume of their gas supply contracts with producers on the basis of a two-tier pricing system in which they agreed to pay $1.90/GJ in the winter months and $1.40/GJ in the summer months.

Changes in Customer Rates

During 1987 the Provincial Support Price (PSP) remained unchanged from the 1986 level of $1.819/GJ.

However, as a result of renegotiations of natural gas prices, the net purchase price of natural gas in many cases fell below the PSP. This and other effects of deregulation resulted in applications from the three major gas utilities, Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and ICG Utilities (Alberta) Limited, to reduce rates as discussed later in this section.

Municipal and Federal Taxes included in a Customer's Annual Gas Bill

Municipalities may agree to a franchise tax on gas utilities serving within their boundaries, in lieu of a property tax

levy, and generally do so in the form of a percentage of the gross revenue of the utility realized within the municipality. In the large Alberta cities the rate is 10% of the gas bill including this revenue or franchise tax. The amount of this type of tax in a customer's bill rises or falls with any changes in the gas bill, including increases and decreases resulting from the imposition or removal of taxes levied by other levels of government. Municipal taxes remained a comparatively significant component of most gas utility customers' bills in 1987.

Between 1980 and 1986, with a peak in 1982, the Federal Government, under the National Energy Program, imposed substantial taxes on natural gas which had a major impact on a customer's bill during that period. The table below shows this large component, and how the municipal taxes reflected the rise and fall in the level of Federal taxes.

The following table shows the impact of expired Federal and continuing Municipal taxes on an average Edmonton residential customer's gas bill based on an annual consumption of 227 GJ and on rates in place at the end of December in each of the years since 1980:

Year	Total Annual Bill (100%)	Federal Energy Taxes and Associated Income Tax Effects Included in Annual Bill (% as shown)	Municipal Taxes Included in Annual Bill
1980	$560.00	$ 63.00 (11%)	$56.00
1981	$600.00	$150.00 (25%)	$60.00
1982	$813.00	$182.00 (22%)	$81.30
1983	$744.00	$ 86.00 (12%)	$74.40
1984	$790.00	$ 42.00 (5%)	$79.00
1985	$765.00	$ 15.00 (2%)	$76.50
1986	$743.00	$ 8.00 (1.1%)	$74.30
1987	$712.00	$ —	$71.20

Deregulation of Municipally-Owned Gas Utilities

On April 3, 1986, the Natural Gas Rebates Amendment Regulation was promulgated, enabling municipally-owned gas utilities to obtain rebates without the necessity of being fully regulated by the Board.

Consequently, the nineteen municipally-owned gas utilities which were under the Board's jurisdiction passed by-laws to repeal the original by-laws which had submitted the operations of their gas utilities to the control and orders of the Board. These latter by-laws were subsequently approved by Orders in Council.

As a result, the rates of these utilities are no longer approved by the Board. However, any customer receiving gas service from a municipally-owned gas utility who is aggrieved respecting service charges, rates or tolls may appeal to the Board pursuant to Section 291 of the Municipal Government Act if such rates do not conform to the utility rate structure established by the municipality; have been improperly imposed; or are discriminatory.

Bonnyville Gas Company Limited

In February 1987, Bonnyville Gas Company Limited (Bonnyville) filed an Application for a review and variance of Decision E86016 dated April 21, 1986, requesting a change in rates to recover Provincial income taxes that were not forecast for the 1986 and 1987 test years at the time of Bonnyville's General Rate Application (GRA).

In Decision E87028 dated April 7, 1987, the Board approved a temporary rate rider to recover the forecast income tax expense for 1986 and 1987 and increased Bonnyville's base rates to recover the annualized tax liability in 1988 and beyond.

In June 1987, Bonnyville applied for a further review and variance of Decision E86016, to change sales rates to recover Provincial income taxes for the years 1982 through 1985. The income tax liability resulted from a reassessment from Alberta Corporate Tax.

In Decision E87080, dated August 28, 1987, the Board approved a temporary rate rider on consumption from August 1, 1987 to July 31, 1988 to recover the tax liabilities.

In September 1987, Bonnyville applied to the Board to transfer more than 50% of its outstanding capital stock to ICG Utilities (Alberta) Ltd (ICG). In Order E87122, dated December 1, 1987, the Board authorized the transfer of more than 50% of Bonnyville's issued and outstanding shares to ICG.

ICG Utilities (Alberta) Ltd.

In February 1987, ICG Utilities (Alberta) Ltd. (ICG) applied for an interim order of the Board approving a 7¢ per GJ decrease in sales rates to give effect to an anticipated reduction in natural gas supply costs. ICG was, at that time, negotiating its supply contracts and was making gas purchases at reduced prices, pending finalization of contract negotiations. In Order E87015 dated February 27, 1987, the Board approved, on an interim basis, a 7¢ per GJ reduction in ICG's base rates.

In August 1987, ICG applied for an order of the Board approving an additional 11¢ per GJ reduction in sales rates to give effect to a further reduction in natural gas supply costs, following the completion of negotiations on the majority of its gas supply contracts. In Order E87081 dated August 31, 1987, the Board approved, on an interim refundable basis, a reduction in customer sales rates of 11¢ per GJ, for consumption on and after September 1, 1987, and a temporary reduction of 5.4¢ per GJ to give effect to the reduced price of gas consumed prior to September 1987.

Joint Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited Rate Reduction Application

By Application dated June 15, 1987 Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL) sought approval for an interim reduction in their gas sales rates to consumers. CWNG requested a reduction of 20¢/GJ and NUL 25¢/GJ. In addition, the Companies proposed "an ongoing procedure for reconciling the gas cost components included in sales rates with actual gas supply costs". The Board heard the Application July 2, 1987. On July 3, 1987, the Board issued two Orders, E87051 in respect of NUL, and E87052 in respect of CWNG. In these Orders the Board approved the interim rate decreases as requested in the Application. The Board further indicated that the reconciliation process "appears to the Board at this time to be a satisfactory method in principle" and that the issues would be addressed in a future proceeding.

On October 28, 1987 each Company submitted a "Supplementary Deferred Gas Accounting Application", to support its application for approval of the reconciliation process. The reconciliation procedures included a proposal for seasonal rates, that is "winter rates" for the months of November through March and "summer rates" for the remaining seven months. These applications also included a "refund proposal", in which the Companies proposed to refund to their customers in December, overcollections attributable to actual gas costs being substantially below those forecast and reflected in the rates. The amounts to be refunded were $11 million and $16 million for CWNG and NUL respectively. The Board heard the Applications of both Companies at the commencement of the NUL Phase I hearing on November 2, 1987. Both the Intervenors and the Companies presented verbal argument on the issue and on November 6, 1987 the Board issued a Decision from the Bench accepting the "deferred gas accounting and reconciliation procedures" including the winter/summer rates proposed and further indicating that "the Board considers the proposed method of refund to be appropriate".

Joint Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited Transportation Rate Filing

Pursuant to Order E86111, dated December 30, 1986, NUL and CWNG (the Utilities) filed with the Board proposed short term gas transportation rates, based on the formula prescribed by the Board in Inquiry Report E86110 (Natural Gas Transportation Rates Inquiry)dated December 30, 1986, and proposed service regulations for transportation service to producers and large industrial customers. In Decision C87014, dated August 25, 1987, the Board accepted the Utilities' definition of large industrial customers as those consuming more than 300,000 GJ per annum, and approved transportation rates (both long term and short term) and Natural Gas Transportation Service Regulations for gas producers and large industrial customers.

Northwestern Utilities Limited

On February 6, 1987, the Board issued Order E87002, respecting Northwestern Utilities Limited's (NUL) 1984-1985 General Rate Application (GRA). The Decision determined and approved NUL's rate base, fair return on rate base, utility revenue requirement and revenue deficiencies for the test years 1984 and 1985. Order E87009 dated February 10, 1987 corrected certain typographical errors.

Hearing of the Phase II segment of the 1984-1985 GRA took place in the Board's Edmonton Office on March 24, 1987. Board Decision E87024, dated April 14, 1987, fixed as final NUL's rates, tolls and charges approved in a series of interim orders issued between 1984 and 1986. The Board also approved NUL's schedule of proposed final rates tolls and charges which would recover, on an annualized basis, the adjusted 1985 utility revenue requirement determined by the Board in Order E87002.

NUL made a joint application with CWNG to the Board on June 15, 1987 for approval to reduce gas sale rates as discussed above under the heading "Joint Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited Rate Reduction Application".

On July 2, 1987 NUL filed a GRA for the test years 1987 and 1988. Included in the Application was a request for Board approval of changes in NUL's method for regulatory accounting purposes of three special issues: (a) the

recognition of revenues for unbilled consumption at the end of each month to be booked as revenue for that month, (b) the adoption of a deferred gas cost and reconciliation procedure, and (c) elimination of Border Flowback Fund reserves.

Hearings on these special issues took place at the opening of NUL's Phase I hearings on November 2, 1987. The Intervenors and NUL presented verbal argument on the issues. The Board issued a Decision from the Bench on November 6, 1987 which approved NUL's proposed handling of the special issues. The Board's decision in respect of the deferred gas cost reconciliation is detailed under the section "Joint Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited Rate Reduction Application". The Board confirmed its Decision from the Bench through Order E87117, dated December 2, 1987, in which the Board noted that reasons for its Decision from the Bench would be contained in the Phase I Decision.

Proceedings concerning the GRA continued in the Board's Edmonton office until November 12, 1987. Argument from all parties was received on December 4, 1987 with reply argument received by December 16, 1987. The Phase I decision was pending at year end.

The Board's jurisdiction is derived principally from two Statutes, the Public Utilities Board Act and the Gas Utilities Act. In both of these Statutes there are definitions of a public utility and of a gas utility, and these definitions are so broad that they capture a great many companies or individuals whose operations do not fall within the generally conceived ambit of a public or gas utility in that they do not serve the public with any conventional utility services.

Prior to the enactment of the Utilities Statutes Amendment Act which was proclaimed as of July 3, 1985, the Board's practice had been to permit the widest possible latitude to those companies and individuals in the management of their affairs, provided however, that it could be demonstrated that the public interest was preserved and the interests of utility customers were not prejudiced. This was accomplished largely through orders declaring that such companies or individuals were not owners of public or gas utilities for the purposes of the two Statutes, thereby exempting them from the duties that would otherwise be imposed on them by parts or all of the Statutes. The Board considered two such applications in 1987.

The Board may also grant orders declaring that specific sections of the Statutes do not apply for the purposes of certain transactions which do not affect the general public. The Board did not consider any such applications in 1987.

The amendments contained in the Utilities Statutes Amendment Act restrict the application of certain sections of the Public Utilities Board Act and the Gas Utilities Act dealing with the issuance of shares or bonds, or the sale, lease, mortgage, encumbrance or merger of utility property to those owners of public utilities and gas utilities designated by regulation. The amendment did not affect Section 99 of the Public Utilities Board Act which requires Board consent before the union of two or more utilities. Consequently, the Board still continues to receive a few applications as noted above from non-designated owners of public and/or gas utilities, as detailed in Section 5 of Appendix 1.

The Board is required by Statute to exercise a general supervision over utilities within its jurisdiction, and is empowered to make any investigations or inquiries necessary to satisfy itself as to the manner in which owners of such utilities are in compliance with the law.

Specifically, the Board is required to review the affairs, earnings and accounts of each utility for whom it has previously set rates, within three years of such rate setting, and it may review any utility at any time.

To ensure compliance with the mandatory review requirements, the Board selects utilities to be reviewed during a given year and authorizes technical staff analysts to proceed with the necessary inquiries in accordance with a predetermined schedule.

The consideration of a utility's general rate application also provides an opportunity for the necessary review through the public hearing process and the Board's determination of the utility rate base and fair return which require a thorough examination of the utility's operations. Consequently, the Board's review schedule is under constant revision as applications for approval of changes in rates are received and dealt with, thereby satisfying the formal review requirements.

Reports on the review of the affairs, earnings and accounts of Grande Prairie Transmission Company Limited and of Orr Mineral Developments Ltd. were in progress at year-end.

Customer Inquiries and Complaints

An important function of the Board is to respond to the variety of inquiries and complaints received from the public. In 1987, Board staff received a total of 165 telephone complaints and 55 written complaints, as well as a large number of general inquiries.

The Board's staff members make every effort to respond to inquiries and complaints in a prompt and informative manner. Telephone complaints are generally resolved either through the provision of information respecting utility rates and regulations, or by referral to the utility company in question for further information and/or discussion. If the matter cannot be so resolved it is generally necessary to have the customer formalize the record by submitting the complaint in writing. Written complaints are usually investigated with the utility company, and in a few cases may require further consideration through the public hearing process.

Formal written complaints which require consideration by members of the Board are registered as applications to the Board pursuant to the Public Utilities Board Act and details of the applications received in 1987 are reported in Appendix 1 and are not included in the statistics in this section.

Those applications which involve a regulated utility are listed in Appendix 1 in the section covering the type of utility involved, and then under the name of the utility against which the complaint was lodged.

Those applications made pursuant to the Municipal Government Act by customers of non-regulated municipally owned utilities are listed in Appendix 1, Section 6D.

In 1987, hearings were held or scheduled in connection with several of the formal written complaints submitted to the Board. These applications dealt with such matters as a dispute as to whether a municipality improperly transferred unpaid bills from a tenant's account to an owner; whether water and sewer charges to a multi-residential dwelling should be billed on a per meter or per dwelling unit basis; and whether minimum monthly charges are proper in cases where disconnection of service to the property has occurred.

Of the other 55 non-registered written complaints received, 28 dealt with billing disputes, 7 with service problems, while installation charges, rate increases and late payment penalties also generated complaints.

Of the 165 telephone complaints received by the Board, 82 dealt with billing disputes, 33 concerned security deposits, 18 concerned service problems, 15 concerned rate increases, 8 involved installation charges, 6 were in connection with late payment penalties and the rest concerned a variety of other issues.

All of the telephone inquiries had been resolved by year-end. Seven of the written inquiries were still under review as of December 31, 1987. Six of these were inquiries regarding NUL's and CWNG's policy relating to the refund of gas cost overcollections in December 1987.

A breakdown of the complaints received follows, as well as an indication of the areas of concern.

Type of Utility	Nature of Complaint	Written	Telephone
Telephone	Rate Increases	—	2
	Billing Disputes	4	4
	Security Deposits	—	2
	Late Payments	—	1
	Installation Charges	1	1
	Service Problems	4	1
	Miscellaneous	4	8
Electric	Rate Increases	1	4
	Billing Disputes	2	17
	Security Deposits	—	4
	Installation Charges	—	2
	Service Problems	2	8
	Miscellaneous	3	3
Natural Gas	Rate Increases	—	4
	Billing Disputes	12	39
	Security Deposits	2	17
	Late Payment Penalties	4	5
	Installation Charges	—	2
	Service Problems	1	8
	Miscellaneous	1	1
Other	Gas Co-ops, Municipalities Milk, etc.	16	32
		55	165

OTHER REGULATORY FUNCTIONS

Municipal Supply Contracts and Special Franchises

The Municipal Government Act deals with the subject of Municipalities entering into supply contracts and conferring special franchises in Section 279(1) which reads:

> "A council, with the approval of the Public Utilities Board, may
>
> (a) enter into a contract with a person undertaking to provide the municipality and its residents or part of the municipality and the residents of that part with a supply of telephones, transportation, light, power, natural gas, artificial gas, water and heat, or any of them, and
>
> (b) confer a special franchise upon that person in respect to the subject matter of the contract,
>
> for any period not in excess of 20 years."

The Municipal Government Act deals with the subject of Municipalities entering into contracts for supply to a municipally owned public utility pursuant to Section 280 which reads:

> "A council, with the approval of the Public Utilities Board, may enter into a contract with any person to supply light, power, natural gas, artificial gas or water to the municipality for the use of the municipal public utility for any period not in excess of 20 years."

Applications coming before the Board for approval under these sections dealt almost exclusively with franchises and contracts for the supply of electricity or natural gas.

Also included in this category are renewals of special franchises or supply contracts. Renewals are generally for a period of ten years. Section 281(2) of the Municipal Government Act stipulates that "any renewal may be for a period not exceeding ten years from the expiration of the contract".

Applications dealt with by the Board for such approvals are summarized in Section 7 of Appendix 1.

In 1987, the Board was required to deal with an application from a municipality served by an investor owned gas utility concerning the annexed lands in which the gas consumers were being served by a rural gas co-operative.

The City of Drumheller (the City) applied for the Board's approval to enter into a natural gas supply and special franchise agreement with Big Country Gas Co-Op Limited concerning lands annexed by the City. These lands had been annexed after the coming into force of the 1983 amendment to the Municipal Government Act noted below.

The City also applied for approval to renew its natural gas supply and special franchise agreement with ICG Utilities (Alberta) Ltd. (ICG). The agreement with ICG covered the whole area within the City's bounds prior to the above annexation. Following a public hearing in Drumheller of both applications, the Board issued, on August 10, 1987, Orders E87065 and E87066 giving the Board's approval to the ICG and Big Country agreements respectively.

The Municipal Government Act, Section 281(4) states:

> "When pursuant to this or any other Act, an area is or has been heretofore incorporated as, or annexed to, or included in a municipality;
>
> (a) a special franchise with respect to the area, or
>
> (b) a contract for the supply of light, power, natural gas or water to persons resident in the area, conferred or entered into by the governing authority previously having jurisdiction in the area and that has become operative therein shall be deemed to have been conferred or entered into on its original date by the council of the new municipality and to have become operative therein and sections 279 and 280 and this section apply, with all necessary modifications, to the special franchise or contract."

The Municipal Government Amendment Act 1983, which came into force on June 6, 1983 added a new section, 281.1 where subsections (1) and (2) state:

> "(1) Notwithstanding section 23, when all or a part of the franchise area of a rural gas utility as defined in the Rural Gas Act is annexed to a city, town, village or summer village, the franchise area shall be reduced by the area so annexed and the council of the city, town, village or summer village shall, within 1 year of the effective date of the annexation, decide whether or not the distributor who is the holder of the franchise area approval may continue to supply natural gas to the residents of the annexed area.
>
> (2) If the council decides that the distributor may continue to supply natural gas to the residents of the annexed area and the distributor agrees to do so, the city, town, village or summer village shall enter into a contract with the distributor and confer a special franchise on the distributor in accordance with section 279."

OTHER REGULATORY FUNCTIONS

Appeals of a Decision of the Director of Hearings Respecting Transportation Costs

There were no appeals of this nature in 1987.

Milk Prices

Under the Dairy Board Act, the Board is charged with the responsibility of prescribing the minimum price of fluid milk that may be paid to producers, and also the minimum wholesale and retail prices of fluid milk and fluid milk products that may be charged by processors, distributors and sellers. It is important to note that these are MINIMUM prices.

In Decision E76104 dated August 13, 1976, the Board adopted the use of the fluid milk pricing formula developed with the assistance of the Production Economics Branch of the Alberta Agriculture Department. The aforementioned Decision stated, inter alia:

> "The Board will continue to use formula pricing as a guide in fixing the minimum price to be paid to producers for Class 1 fluid milk.
>
> The Board reserves the right to adjust or not to adjust the minimum producer price as indicated by the formula price if it finds that unusual circumstances prevail at any particular time. The performance and results of formula pricing will be monitored continuously, tested against the production cost study annually and reviewed at public hearings periodically in response to an application or upon the Board's own initiative."

The fluid milk pricing formula approved in Decision E76104 was reviewed in Decision E80072 dated June 13, 1980.

In response to price changes indicated to be justified by the application of the pricing formula during 1987, the Board approved changes in the minimum producer prices. These changes resulted in simultaneous changes in the minimum wholesale and retail prices of fluid milk products. A decrease of one cent per litre was effective June 15, 1987 and an increase of one cent per litre came into effect September 14, 1987.

Applications from certain Processors/Distributors and Wholesalers/Retailers of fluid milk and fluid milk products requesting a revision of minimum wholesale and retail milk prices were received by the Board in July, 1987. The Applications proposed increases of $0.04 per litre in the minimum wholesale price and $0.05 to $0.06 per litre in the retail margin for fluid milk and fluid milk products. The Applicants indicated that the increases requested were required to offset increased costs of processing and selling fluid milk and fluid milk products and to ensure a reasonable profit margin on the sale thereof.

On September 3, 1987 the Government of Alberta, by Alberta Regulation 363/87 extended the definition of controlled areas, as defined under the Dairy Board Act Regulations, to the entire Province of Alberta. Prior to the change in legislation, the Board prescribed two sets of minimum wholesale prices for milk: city wholesale prices for items processed and sold within controlled areas and country wholesale prices for items processed within controlled areas and sold outside controlled areas. In view of the change in the legislation the Board removed the schedule of country wholesale prices from its schedule of prescribed minimum prices effective September 3, 1987.

A Pre-Hearing Conference respecting the applications of the Processors/Distributors and Wholesalers/Retailers was held on September 25, 1987. The main hearings dealing with the above were held on December 7 and 8, 1987.

Decision E87127 dated December 23, 1987 granted an interim increase of $0.01 per litre in the minimum wholesale price of fluid milk and fluid milk products, effective January 1, 1988, in consideration of forecast of costs and revenues submitted by the Processors/Distributors as part of their Application and in recognition of the reduction in revenues to Processors/Distributors resulting from the removal of country wholesale prices referred to earlier. Decision E87127 also approved an increase in the maximum discount to distributors from the existing 20% to 22%, again in view of the removal of country wholesale prices referred.

Final decisions respecting the Applications were pending at year end.

Orders resulting from the Board's milk pricing activities are summarized in Section 9 of Appendix 1. An historical tabulation of milk prices prescribed by the Board from 1970 to 1987 is attached as Appendix 4.

Complaints Under the NOVA Corporation of Alberta Act

The NOVA Corporation of Alberta Act provides in Section 37(2) that, upon complaint in writing of an interested party, the Board is responsible for determining the justness and reasonableness of the rates, tolls or other charges fixed or varied by NOVA Corporation of Alberta, and by order in writing may vary or confirm the foregoing rates, tolls or other charges. No such complaints were received by the Board in 1987.

OTHER REGULATORY FUNCTIONS

Appeals Under the Natural Gas Pricing Agreement Act

Section 8 of the Natural Gas Pricing Agreement Act provides that any determination or estimation of an Alberta cost of service made by the Alberta Petroleum Marketing Commission (the APMC) is subject to appeal to the Public Utilities Board. There were a number of such appeals before the Board in 1987.

Alberta and Southern Gas Co. Ltd.

Alberta and Southern Gas Co. Ltd. (A&S) filed an appeal dated March 5, 1987 from a determination of the Alberta Petroleum Marketing Commission (APMC) of the Alberta Cost of Service (ACOS) for A&S for the month of July, 1986. The matter at issue was whether the APMC exceeded its jurisdiction by adjusting, retroactive to January, 1982, the allocation of fixed assets between A&S and a related company, Alberta Natural Gas Company Ltd. (ANG)

By Decision E87069 dated July 27, 1987, the Board referred the matter back to the APMC directing the Commission to make a new determination for the month of July, 1986 excluding ANG's allocated share of assets from rate base for the period January, 1982 to June, 1985.

The Board considered that where there was no explicit statutory power to rescind, amend or review a prior ACOS determination, the APMC should only do so in cases of fraud, misrepresentation or other material matters which would go to the root of the determination. In the opinion of the Board, no such circumstances existed in this case.

By Notice of Motion dated August 21, 1987 the APMC filed for Leave to Appeal Decision E87069. The Application for Leave to Appeal was dismissed by the Court of Appeal on September 23, 1987. (See Appendix 6).

Amoco Canada Petroleum Company Ltd.

On May 10, 1985, Amoco Canada Petroleum Company Ltd. (Amoco) appealed an Alberta Petroleum Marketing Commission (APMC) Determination for the December 1984 Alberta Cost of Service for TransCanada PipeLines Limited (TCPL). Amoco contended that the risk associated with take or pay provisions under its gas purchase contracts with TCPL should be shared, or borne by TCPL. On December 3, 1985 this appeal was adjourned sine die and remained so at the end of 1987.

Dynamar Energy Ltd.

Appeal by Dynamar Energy Ltd. (Dynamar) dated September 19, 1986 from a decision of the Alberta Petroleum Marketing Commission (APMC) respecting a determination of the Alberta Cost of Service (ACOS) for TransCanada PipeLines Limited (TCPL) for the months of November, 1983 to January, 1986.

The appeal was dismissed by Decision E87020 dated April 30, 1987.

The issue for determination in the appeal was whether the effective date for characterization of Dynamar's Gas Purchase Contract in the D1 category of the multi-tiered Alberta cost of service was to take effect on January, 1986, or at some earlier date.

The Board considered that it had no jurisdiction to deal with an appeal unless the appellant had first filed a Statement of Objection with the APMC in accordance with section 6 of the regulations to the Natural Gas Pricing Agreement Act.

Section 6 specifies that a Statement of Objection must be filed with the APMC within 60 days from the date of the determination of the ACOS. As Dynamar had not complied with this requirement, the Board found that the appeal of Dynamar could not be effective with respect to ACOS determination for TCPL for any period prior to January, 1986.

Dynamar argued that the decision in the Cabre-Petromark proceedings (Decision E85032) empowered the APMC to grant effective relief not only to the contract considered in that decision but for all other gas contracts of a similar nature.

The Board held that a careful reading of Decision E85032 did not support Dynamar's conclusion.

Husky Oil Operations Ltd.

Husky Oil Operations Ltd. (Husky) appealed a December 23, 1977 Decision of the Alberta Petroleum Marketing Commission (APMC) on behalf of Husky, CanDel Oil Ltd., Canadian Propane Gas & Oil Canada Ltd. (the Savanna Creek Producers). The appeal related to a Determination by the APMC of the Alberta Cost of Service (ACOS) for Westcoast Transmission Company Limited (Westcoast) for the month of September, 1977. A similar appeal was launched by Husky with respect to the ACOS for Westcoast for the month of December, 1977.

On March 21, 1983, the Board issued Order E83061 which provided that the determinations or estimations of an ACOS with respect to the Savanna Creek gas should include only that portion of the total processing costs and charges of Saratoga determined in the ratio that the volume of the Savanna Creek acid gas bears to the total vol-

ume of acid gas processed in the Saratoga gas plant, said volumes to be estimated monthly and adjusted annually (thirteenth month adjustment). However, when only Savanna Creek raw gas is being processed through the Saratoga gas plant, the total of the fuel gas cost shall be assigned to the Savanna Creek gas; when both Savanna Creek raw gas and North Coleman raw gas are being processed through the Saratoga gas plant at the same time, or when neither is being processed, then 58.7% of the total fuel gas cost (based on volumes) shall be allocated to the Savanna Creek gas.

Husky appealed Order E83061 to the Court of Appeal and on December 11, 1985 the Court of Appeal issued its decision. The matter was referred back to the Board for clarification of the formula which allocates the cost of fuel gas. By letter dated April 15, 1987, counsel for Husky advised that the question of fuel gas cost allocation had been resolved by the parties. Consequently, no further action by the Board was required. (See Appendix 6)

Husky Oil Operations Ltd.

Husky Oil Operations Ltd. (Husky) commenced two appeals dated August 5, 1980 and November 14, 1980 from decisions of the Alberta Petroleum Marketing Commission respecting determinations of the Alberta Cost of Service for Westcoast Transmission Company Limited (Westcoast) for the month of February, 1980 and for the months of September, 1977 to January 1980, respectively.

Decision E87113 dated October 30, 1987 allowed the appeals. The Board agreed with Husky that Section 2 of the Natural Gas Pricing Agreement Act should be interpreted as meaning a net cost of service. The Board noted that Husky was responsible for paying to make its gas marketable by the removal of sulphur, therefore, Husky should receive the benefit of the sulphur revenue that the gas produced.

On November 24, 1987, Westcoast filed a Notice of Motion for Leave to Appeal Decision E87113. With the consent of all parties the Leave application was adjourned sine die. This matter had not been completed at year end.

Petrogas Processing Ltd.

Appeal by Petrogas Processing Ltd. (Petrogas) dated September 2, 1986 from a decision of the Alberta Petroleum Marketing Commission respecting a Determination of the Alberta Cost of Service for Westcoast Transmission Company Limited for the months of April and May, 1986. The appeal was withdrawn by Petrogas on January 6, 1987.

Signalta Resources Limited

Signalta Resources Limited (Signalta) appealed Alberta Petroleum Marketing Commission (APMC) Determination No. 84-15 dated July 10, 1984. On March 4, 1985 the Board issued Decision E85033 which was appealed by Signalta to the Court of Appeal. Leave to appeal was granted on July 11, 1985 upon the issue of whether the Board erred by failing to include Signalta's Gas Purchase Contract in subcategory D_1D_2 of the Alberta Cost of Service which resulted in the Gas Purchase Contract being categorized in subcategory D_1B_2, which category attracts financing costs for prepayment. By Decision of the Court of Appeal dated August 21, 1987, the appeal was allowed and remitted back to the Board for redetermination. Order E87091 dated October, 1987 referred the matter back to the APMC for recalculation of the Alberta Cost of Service of Signalta to subcategory D_1D_2 for the relevant months from and including December, 1983. (See Appendix 6)

TransCanada PipeLines Limited

TransCanada PipeLines Limited (TCPL) filed an appeal dated December 10, 1986 from a determination of the Alberta Petroleum Marketing Commission (APMC) of the Alberta Cost of Service (ACOS) for TCPL for the month of September, 1986. The matter in issue was whether the APMC erred in directing TCPL to calculate income taxes in the ACOS on an "Alberta only corporate tax rate" as opposed to a "blended corporate tax rate" for the period commencing January 1, 1984.

Decision E87040 dated June 3, 1987 varied the APMC determination and ordered that the appropriate income tax rate to be used by TCPL in the ACOS was TCPL's blended corporate tax rate.

Westcoast Transmission Company Limited

Appeal by Westcoast Transmission Company Limited (Westcoast) dated December 22, 1986 from a determination of the Alberta Petroleum Marketing Commission (APMC) of the Alberta Cost of Service (ACOS) for Westcoast for the month of August, 1986. The matter at issue was whether the APMC had erred by failing to include in the ACOS legal fees resulting from litigation commenced by Petrogas Processing Ltd. against Westcoast.

By Decision E87054 dated August 17, 1987 the Board denied Westcoast's appeal and affirmed the Determination of the APMC for the month of August, 1986. The Board stated that the prospect of an unsuccessful litigant being forced to bear the costs incurred by his opponent, in whole or in part, was often a strong incentive to the parties to

resolve their differences. If one litigant were to be absolved from responsibility for payment of these costs, regardless of the outcome of the litigation, it appeared to the Board that the parties would be placed in an unequal position insofar as conduct of the litigation is concerned.

In the opinion of the Board it was appropriate that the responsibility of the litigants for the cost of the litigation should be resolved either by agreement between the parties or by the courts who ordinarily have jurisdiction to determine the incidence of such costs and their appropriate level.

Westcoast Transmission Company Limited

Appeal by Westcoast dated February 18, 1987 from a determination by the Alberta Petroleum Marketing Commission of the Alberta Cost of Service for Westcoast for the month of September, 1986.

In view of Decision E87054 dated August 17, 1987 Westcoast requested that the appeal from the determination for the month of September, 1986 be withdrawn.

The Energy Resources Conservation Board Hearings

Order in Council 234/85 provides that certain members of the Public Utilities Board (PUB) are nominated as persons who may be named as Acting Members of the Energy Resources Conservation Board (ERCB).

Mr. Neil W. MacDonald was named an Acting Member of the ERCB to hear an application by Southview Fibre Tech Ltd. for approval to operate and interconnect an electricity generating plant. This application was adjourned at the request of the applicant and had not been completed at year end.

Appeals of Board Orders to the Alberta Court of Appeal and to the Supreme Court of Canada

Section 62 of the Public Utilities Board Act provides that an appeal may be taken from the Orders and Decisions of the Board to the Alberta Court of Appeal, and the Act specifically states "on a question of jurisdiction or on a question of law". Appeals from the decisions of the Alberta Court of Appeal may be taken, with leave, to the Supreme Court of Canada. Details of appeals of Board Orders and Decisions before the Courts at year end are set out in Appendix 6.

Special Telecommunication Tribunal

The Public Utilities Board Act was amended by the Telecommunications Statutes Amendment Act, 1985 being Chapter 52 of the Statutes of Alberta, 1985 to establish the Special Telecommunication Tribunal (STT) as agreed to by the Government of Alberta and the City of Edmonton.

Members of the STT at year end were Mr. D. Burrows, Mr. A. O. Ackroyd, Q.C., Mr. A. Jah and Mr. N. W. MacDonald. Dr. H. Harries, Alberta Government Telephones appointee died in 1986. No person had been named as of year end to replace him.

Inquiries

Gas Supply and Transportation Service Inquiry

On July 22, 1987, the Lieutenant Governor in Council of Alberta issued Order in Council 484/87 requesting that the Public Utilities Board and the Energy Resources Conservation Board

"(a) inquire into the following matters:

(i) the basis for determining the classes of consumers of natural gas who should be protected by contracts for the supply of natural gas that ensure long-term security of supply;

(ii) the terms and conditions of contracts that would ensure long-term security of supply for those consumers;

(iii) the availability of transportation service for natural gas to consumers who wish to contract directly with producers and others for the supply of natural gas;

(iv) any changes that may be required to the terms of access to transmission and distribution facilities, to make them consistent with the Government's policy concerning long-term security of supply; and

(v) any other matters considered by the Public Utilities Board and Energy Resources Conservation Board to be relevant to any of the matters referred to in subclauses (i) to (iv);

and

(b) report upon and make recommendations to the Lieutenant Governor in Council in relation to the matters referred to in clause (a)."

In response to Order in Council 484/87, a joint inquiry was conducted by a panel of members of the Public Utilities Board and the Energy Resources Conservation Board. The inquiry took the form of a public hearing which was held from September 14 to 18, 1987.

On December 29, 1987, the Board reviewed the final Report and approved its being released, jointly by the

Board and the ERCB, to the Government promptly in the new year. The Executive Summary of the Report is reproduced in Appendix 7 of this report.

The Inquiry attracted a large number of interested parties including the main natural gas distribution utilities, producers, municipalities, gas brokers and prospective direct purchasers of natural gas.

Small Power Inquiry

During the year the Public Utilities Board and the Energy Resources Conservation Board jointly conducted the Small Power Inquiry pursuant to Order in Council 211/87 whereby the Lieutenant Governor in Council requested that:

"(a) the Public Utilities Board and the Energy Resources Conservation Board inquire into matters respecting the following:

(i) the types and sizes of generators that should be classed as small power generators;

(ii) the number, types and capacities of small power generators and their total capacity that could be interconnected without negatively impacting the reliability of the system or increasing the cost of electricity generation, transmission and distribution in Alberta;

(iii) the principles and methods which should apply to the setting of a price or prices which could be paid by public utilities for electricity produced by small power generators and to the terms and conditions of the purchase and sale of that electricity, and which should result in prices that would not increase the price of electricity to utility consumers;

(iv) the processes that should be established for the expedient regulatory processing of applications from small power producers, and the expedient purchase of electricity by public utilities from small power producers;

(v) any other relevant matters;

and

(b) the Public Utilities Board and the Energy Resources Conservation Board report upon and make such recommendations as are necessary or advisable in relation to the matters referred to in clause (a)."

A Planning Meeting was held on May 12, 1987, followed by a Pre-Hearing Conference on June 10, 1987. The Inquiry Hearing ran for 8 days between October 5 and October 16, 1987.

The main participants included the Small Power Producers Association of Alberta, the Industrial Power Consumers Association of Alberta, the Canadian Petroleum Association and the major electric generation and distribution utilities. A number of individuals and corporations also participated.

The Report of the Boards was pending at year-end.

Federal/Provincial Examinations Into Telecommunications Matters

First Examination

In late 1985, federal and provincial officials agreed that their respective telecommunications regulators should participate in an investigation of the issues of telecommunications pricing and the universal availability of affordable telecommunications service and to report back to the First Ministers by September 30, 1986.

Representatives of each province participated in the preparation of the report. The report was provided to the First Ministers on August 27, 1986 and later released to the public.

The report discussed current telecommunications rating principles and practices, and reviewed alternative rating structures. The advantages and disadvantages of current rating principles and practices and the impacts of alternative rating structures were reviewed in terms of the five criteria presented in the Terms of Reference for the Examination and which are set out below:

1. maintaining universal availability of affordable telephone service;
2. fostering effective use of the public telecommunications network;
3. avoiding uneconomic bypass;
4. facilitating cost-effective business communications, and encouraging technological and service innovation; and
5. contributing to overall economic efficiency.

In addition, various measures were identified to alleviate the potential adverse effects of current and alternative pricing systems.

The report noted that currently there are similar rating principles and practices adopted across Canada, but that the rate levels for local and intra-company long distance

telephone services vary considerably from company to company. Inter-company long distance service rates, with some exceptions, are quite similar.

The report examined monthly telephone bills for residential and business subscribers, and the effect that reductions in toll rates would have on local rates and the total bill. The report concluded that even with large long distance decreases, local rates would increase, but not by significant amounts. On average, the total monthly bills would change very little for residential customers, and would decrease slightly for business customers.

The report showed the varying effects of the different rate restructuring alternatives (i.e. compressing the number of rate groups, reducing or eliminating residence/business rate differentials, access rates, local measured service, changing the distance sensitivity for long distance rates).

The penetration level for telephone service in Canada is one of the highest in the world (98.2%). The examination, using the evidence available to date, concluded that even with two-fold increases in local rates, there is unlikely to be significant reductions in the penetration levels.

The report found that the extent of bypass of telecommunication carrier facilities in Canada was minimal.

The report found that, on average, telecommunications costs for Canadian firms were small, but there were certain sectors where the telecommunications costs were a significant portion of the operating expenses. It further concluded that telecommunications rate changes would have only a small impact on the overall cost structure and performance of Canadian businesses. It also found that although costs may be a small component, the availability of high quality, technologically-advanced telecommunications products and services is of importance.

The report examined the effects of current and alternative local and long distance rates on fostering effective use of the network and found that more effective use could be achieved with rate changes which redistribute the calling patterns and hence use of resources.

The report summarized a number of studies that examined different costing approaches and pricing of telecommunications service relative to contributing to overall economic efficiency. While the specific results could be viewed with caution, the studies forecast that a lowering of long distance rates, together with some offsetting local rate increases, would bring overall economic benefits.

Finally, the report examined various measures to alleviate the potential adverse effects of current and alternative rating principles and practices. These measures included lifeline rates, government assistance to individuals and telephone companies, and budget services.

Mr. A. Jah, a Member of the Board, was appointed as the Board's representative along with requisite staff support.

Second Examination

At their meeting in Edmonton on April 2-3, 1987, the Federal and Provincial Ministers responsible for telecommunications considered proposals for a national policy on competition and inter-connection, which would be sensitive to regional differences and which would allow the provision of a broad range of telecommunications equipment and services on a competitive basis in all jurisdictions across Canada. As part of this policy framework, the Ministers agreed to review the desirability of competition in public long distance service. In view of the complexities which surround the issues of telecommunications pricing and competition, and in order to collect the empirical evidence necessary for the development of sound public policy, they also agreed to ask federal, provincial and territorial representatives to begin an investigation prior to any regulatory determination on this issue, and to report their findings back to the Ministers within one year's time.

Mr. A. Jah, a Member of the Board, was appointed as the Board's representative along with requisite staff support.

A report is expected to be released in the latter half of 1988.

ADMINISTRATIVE FUNCTION

The Natural Gas Price Protection Plan

Pursuant to the Natural Gas Rebates Act, the Board performs an administrative function under the Natural Gas Price Protection Plan. The Board examines rebate applications and issues "Supply Certificates" and "Rates Certificates" which are required before the Director of Rebates can approve an application for Rebate. The number and type of rebate certificates issued in 1987 are summarized in Appendix 5.

Alberta consumers of natural gas continued to benefit in 1987 from the shielding from world market prices, provided by the Alberta Government's Natural Gas Price Protection Plan. However, the substantial drop in natural gas prices reduced the subsidized component of a customer's gas bill.

This program came into effect on January 1, 1974 and was revised effective September 1, 1980 and was continued for an additional three years from April 1, 1985. The program established a "Provincial Support Price" (PSP). The natural gas user pays for the cost of gas up to that level, and the cost of gas above the support price is rebated by the Alberta Government to the serving utility. Under the revised program, the Alberta Government's policy was to fix the PSP at 65% of the Alberta Border Price. The level of the PSP did not change in 1987.

Rebates may be paid on the first 1.055 petajoules (PJ) of natural gas, a quantity far in excess of the amount used by virtually any space heating customer. Generally, only petrochemical plants and electric generating utilities would use more.

The Plan provided a subsidy, equivalent to $0.709 per GJ at October 31, 1986, (that is, immediately prior to deregulation) which was roughly equal to $160.94 per year to the customer using 227 GJ of natural gas annually. However, in 1987 the benefit would have been much less as the difference between the rebate threshold and the gas field prices narrowed, and in some cases disappeared. A comparable 1987 level of rebate to a residential customer would have been about $13.00. The plan expires on March 31, 1988 unless renewed by the Government.

The PSP history is shown in the first column of the following table:

Date	Provincial Support Price (PSP)	Alberta[1] Field Price	PSP as a % of Alberta Field Price
January 1, 1974	16.70¢/MMBtu[2]	—	—
April 1, 1975	28.00	—	—
April 1, 1976	56.00	74.103¢/MMBtu	75.6
April 1, 1977	69.50	93.498	74.3
August 1, 1977	73.75	108.809	67.8
February 1, 1978	77.75	123.887	62.8
August 1, 1978	79.00	128.125	61.7
August 1, 1979	75.50/GJ	128.297¢/GJ	58.8
February 1, 1980	79.00	141.106	56.0
September 1, 1980	116.60	166.408	70.1
November 1, 1980	115.40	160.065	72.1
October 1, 1981	110.60	148.662	74.4
February 1, 1982	125.80	171.963	73.2
August 1, 1982	140.90	189.764	74.3
February 1, 1983	156.00	213.065	73.2
August 1, 1983	171.20	230.366	74.3
February 1, 1984	181.40	246.001	73.7
August 1, 1984	181.90	249.804	72.8
October 31, 1986	181.90	252.804	71.9
November 1, 1986	181.90	190.000	95.7
April 1, 1987	181.90	140.000	N/A
November 1, 1987	181.90	190.000	95.7

[1] The Alberta Regulated Field Price was derived by reducing the regulated price at the Alberta Border (the Alberta Border Price) by the amount of the "Alberta Cost of Service" determined by the Alberta Petroleum Marketing Commission for the period January 1, 1976 to October 31, 1986. The Field Prices shown for November 1, 1986, April 1, 1987 and November 1, 1987 are the negotiated prices paid by the major gas utilities under long term supply contracts. The higher price is applicable for the five "winter" months (November-March), the lower for the seven "summer" months (April-October).

[2] Assuming 1 MMBtu per Mcf for the PSP prices from January 1, 1974 to August 1, 1978 inclusive. Prices are expressed as cents/MMBtu from 1974 to 1978 (inclusive) and cents/gigajoule thereafter. (1 MMBtu = 1.054615 GJ).

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APPLICATIONS TO THE BOARD

SECTION 1: PUBLIC UTILITIES
Telecommunications

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

1.01 (a) RC86007/E3.4.89-73/Alberta Government Telephones

(b) Application by the City of Calgary for approval of a change in rates, tolls and charges.

(c) Adjourned sine die at the request of the Applicant.

1.02 (a) RE86020/E3.4.89-71 (Costs)/Alberta Government Telephones

(b) In the matter of the Board determining and fixing the amount of the Intervenor's costs to be paid by Alberta Government Telephones (AGT) in respect of its Filing 86-14.

(c) (1) The Board issued Decision E86041 dated June 23, 1986, wherein the Board made a determination on AGT Filing 86-14. Filing 86-14 requested approval of the restructuring of: the Alberta-British Columbia Message Toll Service; the WATS 10 hour and WATS 160 hour Service; the Conference Service Rates; and Terms and Conditions of Service; and changes to the General Regulations and Terms and Conditions of Service.

(2) Decision E87023 dated March 17, 1987, determined costs for the City of Calgary which was the Intervenor involved in Filing 86-14.

(3) The Board disallowed secretarial costs of $300.00 claimed by the City of Calgary. The remaining costs of the City of Calgary were approved in the amount of $6,543.77.

1.03 (a) RE86054/E3.4.87(1)(c)-1 (Costs)/C3.4.87(1)(c)-1 (Costs)/ Alberta Government Telephones

(b) For a determination and fixing of Intervenors' costs to be paid by Alberta Government Telephones (AGT) in respect of an application by AGT for approval of changes to the terms and conditions of service applicable to Extended Flat Rate Calling (EFRC).

(c) (1) Approved/Decision C87027 dated October 30, 1987, determined and fixed Intervenors' costs for the City of Calgary (Calgary) and the Consumers' Association of Canada (Alberta) (CAC).

(2) The Board considered that the costs submitted by Calgary exceeded the assistance provided to the Board and reduced Calgary's fees by $4,250. Calgary's claim for $750 for secretarial services was also denied.

(3) The Board allowed the CAC's fees, but reduced the claim for photocopying by $26.80 and did not allow an administrative charge of $13.00 to open a file.

(4) Costs awarded were as follows:

Calgary	$ 7,736.50
CAC	$ 5,550.89
Total	$13,287.39.

1.04 (a) RE86085/E3.4.89-75/Alberta Government Telephones

(b) For an Order or Orders of the Board approving on an interim basis, changes in the rates and terms and conditions of service associated with the provision of Individual Line Service (ILS).

(c) Decision E87050 dated August 21, 1987, dealt with Alberta Government Telephones (AGT) Application. Following several adjournments to consider further evidence, the Board commenced the Hearing of the matter on May 8, 1987. At the proceedings, the Board expressed its concern with respect to interim approval of the Application before hearing Phase I evidence. Following submissions by interested parties, the Board confirmed the procedure to be followed to obtain a final determination. All Phase I aspects of the Application were heard in conjunction with Phase I of the General Rate Application (June 8-12 and July 6-10, 1987). The Phase II matters relating to the Application were heard on July 27, 1987.

(1) **Rates and Costs**

The Board found that AGT had not established that an increase in the proposed monthly surcharge from $4.00 per month to $5.00 per month would jeopardize an extremely high forecast penetration rate of 95%. The higher monthly rate would also reflect a larger contribution to the cost of the program, which is to be largely borne by contributions by the Provincial Government. Accordingly, the Board approved a surcharge of $5.00 per month for 20 years or an equivalent onetime flat rate charge of $560.

(2) **Rural Individual Line Charge (RILC) and Exchange Circuit Charge (ECC)**

In order to facilitate an orderly progression to ILS as exchanges are converted, the Board accepted AGT's position that Multi-Party Service (MPS) continue as the standard service in unconverted exchanges and ILS should be a premium service to suppress demand. Accordingly, the Board amended the proposal to discontinue the ECC as of the date of the Board's approval, to discontinuance as of the time of the exchange conversion to ILS. The Board denied AGT's proposal that the proposed ILS surcharge be added to the present RILC for ILS applications in unconverted exchanges. The Board considered that the present RILC plus the present ECC pose sufficient deterrents. The proposal to refund the ECC back to April 30, 1986, or date of service, if later, was denied.

(3) **Other Terms And Conditions of Service**

The Board considered that other proposed changes with respect to local channel charges, installation of jacks and wiring, and other construction charges were just and reasonable and were approved. The Board's final decision was pending at year-end.

1.05 (a) RE87009/E3.4.87(1)(g)-6/E3.4.87(1)(g)-6 (Costs)/Alberta Government Telephones

(b) For an Order pursuant to Section 91.1(2)(d)(i) of the Public Utilities Board Act, approving the grant by Alberta Government Telephones (AGT) to Alta Telecom Licensing Corporation (ATLC), a wholly-owned subsidiary of AGT, of certain non-transferable, perpetual and irrevocable rights to the technology of AGT.

(c) (1) The Board, in Decision C87007 dated May 13, 1987, approved the application and made directions as to accounting for the matter.

(2) In Decision C87017 dated September 2, 1987 the Board dealt with Intervenors' costs. The Board disallowed secretarial costs of $60.00 claimed by the City of Calgary (Calgary). The remaining costs of $5,066.41 by Calgary were approved. The costs claimed by the City of Edmonton in the amount of $179.80 were approved.

1.06 (a) RE87020/E3.4.89-76/Alberta Government Telephones

(b) For approval to expand Telephone Device for the Deaf (TDD) services within Alberta to all points within Canada and to permit TDD access to the public switched network on multi-party lines (Filing 87-39).

(c) (1) In Decision E83076 dated May 23, 1983 and confirmed in Decision E85046 dated April 11, 1985, the Terms and Conditions of Service were approved for TDD services. The calls placed through a special 800 Service Number to points within Alberta were given a 50% discount from tariffed rates.

(2) Order E87043 dated June 1, 1987 extended TDD service to all points in Canada and permitted TDD access on multi-party lines.

1.07 (a) RE87021/E3.4.89-77/Alberta Government Telephones

(b) For approval to eliminate High Frequency (HF) Radio Telephone service (Filing 87-40).

(c) (1) HF Radio Telephone service was offered under AGT Basic Tariff Item 456, approved in Decision E85046 dated April 11, 1985.

(2) Order E87044 approved the elimination of HF Radio Telephone service and the deletion of Tariff Item 456 on or after November 1, 1987.

1.08 (a) RE87090/E3.4.87(1)(c)-2/Alberta Government Telephones

(b) For approval to make Individual Line Service (ILS) mandatory in rural areas upon conversion of an exchange to ILS.

(c) Decision E87108 dated October 28, 1987 dealt with Alberta Government Telephones (AGT) Application. In Decision E87050 dated August 21, 1987, the Board approved new rates, terms and conditions of service for ILS in rural areas. Decision E87050 also approved the retention of Multi-Party Service (MPS) as an option. AGT presented evidence outlining extra costs associated with retaining MPS as an option and extra revenues that would be generated by its abolition. Interested parties opposing the proposal did not convince the Board that there were sufficient grounds for denying the Application. The Application was approved.

Submitted costs were under staff investigation at year-end.

1.09 (a) RE87093/E3.4.89-78/Alberta Government Telephones

(b) For an Order or Orders of the Board to approve, on an interim basis, a restructuring of the rates and Terms and Conditions of Service to Telecom Canada, Alberta-Saskatchewan, Alberta-Hawaii Message Toll Service and WATS and 800 Service.

(c) The Application was adjourned sine die at Alberta Government Telephones (AGT) request by letter dated April 1, 1987. By letter dated July 31, 1987, AGT requested a new date for a Hearing and proposed an implementation date of November 1, 1987. By letter dated August 13, 1987, the Board informed AGT that the matter would be heard October 1, 1987. By letter dated September 18, 1987, AGT informed the Board that the implementation date for Alberta-Hawaii, WATS and 800 Service had changed to March 1, 1988. At the hearing, the Board expressed reservations in dealing, on an interim basis, with matters that were to be implemented six months in advance. Following submissions by interested parties, the Board proposed to hear only those proposals with a November 1, 1987 implementation date, i.e. the proposals on Telecom Canada and Alberta Saskatchewan rates. In Decision E87087 dated October 28, 1987 the Board issued its findings on these rates as follows:

(1) **Requirements for Approval of Rates Outside the Context of a General Rate Application**

The Board found that the criteria established in Decision E85111 dated September 30, 1985 did not apply to this Application as it was being heard during AGT's General Rate Application.

(2) **Justness and Reasonableness of Rates**

AGT's proposed rate structures were considered to be just and reasonable as they did not differ in structure from rates in place within Alberta not from the Alberta-B.C. message toll.

(3) **Cost-Based Rates**

AGT's proposed rates were found to be based on relative cost and value of service and were not a portion of a general rate restructuring.

(4) **Refundability of Interim Rates**

Because reference was made to the Federal Court of Appeal decision of Bell Canada and the Canadian Radio-television and Telecommunications Commission rendered July 10, 1987 (Appeal A-737-86) the Board considered that the interim orders be subject to finalization and, if necessary, amendment at a subsequent date.

(5) **Urgency**

The Board was not persuaded that there was financial urgency to this application as the revenue effects of either proposal were small in comparison to AGT's overall revenues.

(6) **Uniformity of Rates**

The Board concluded that, since the application would not lead to uniform rates, there was no urgency to grant the proposed rates on an interim basis and the application was denied.

(7) **Alberta-Hawaii, WATS and 800 Service**

Alberta-Hawaii, WATS and 800 Service were adjourned sine die.

APPENDIX 1

SECTION 2: PUBLIC UTILITIES
Electric

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

2.01 (a) RE84107/E3.5.89-45/Alberta Power Limited

(b) Determining and fixing the amount of Intervenors' costs and Alberta Power Limited's (APL) external costs relating to Phase II of APL's 1984/85 General Rate Proceedings.

(c) In Decision E87029 dated April 10, 1987, the Board fixed and approved for payment by APL, Intervenors' costs and APL's external costs in the sums of $147,550.32 and $16,825.26 respectively and ordered that APL may include the above amounts in its final reconciliation of the 1986/87 excess revenue refund (Rider "J").

2.02 (a) RE86037/E3.5.89-50/Alberta Power Limited

(b) For approval of a change in rates.

(c) (1) **General**

Phase I Decision E87025 dated April 2, 1987 determined Alberta Power Limited's (APL) rate base, fair return and revenue requirement for the test years 1986 and 1987.

In Decision E87025 the Board reduced the revenue requirement requested by APL for 1986 and 1987 by $28,899,000 and $31,687,000 respectively and directed APL to file rates based on the Board determined revenue requirement. In addition, the Board ordered APL to refund to customers excess revenues received in 1986 and 1987, through the interim rates that had been in place since October 1, 1986.

Phase II matters relative to the application were determined by the Board, prior to the Phase I proceedings, in Decision E86072 dated October 17, 1986.

The issues of note in the Phase I proceedings follow.

(2) **Rate Base**

(A) **Gross Plant**

(i) **Sheerness Excess Capacity**

The Board found excess capacity on the Alberta Interconnected System (AIS) in 1986 and 1987 which far exceeded the excess capacity that would result if generating capacity were added in increments of 375 MW, the current economic unit size.

The Board considered that the addition of Sheerness Generating Unit 1 (Sheerness 1) would be a net cost burden on customers in 1986 and 1987 (i.e. Capital related costs offset by operating benefits). However, disallowing Sheerness 1 in rate base in 1986 and 1987 might result in additional future costs to customers.

Having weighed the evidence respecting planning for Sheerness 1, present and future benefits and AIS requirements in 1986 and 1987, the Board allowed Sheerness 1 in rate base in 1986 and 1987.

The Board considered that including Sheerness 1 in rate base in the face of excess capacity does reduce the downside risk associated with new construction. The Board therefore recognized the reduced risk in setting the fair return on common equity.

(ii) **Sheerness Common Costs**

APL's allocation philosophy for common costs, other than Site Indirects and Engineering Management (SI&EM) was considered to be appropriate for purposes of the Decision. For SI&EM the Board adjusted APL's allocation such that Unit 1 would receive its share of SI&EM costs on the basis of the original commissioning schedule, whereby Sheerness 2 would have followed Sheerness 1 after one year. As a result of this adjustment, the Board reduced the common costs allocated to Sheerness 1 by $15,709,000.

(iii) **Sheerness Coal Rights and Leases**

Sheerness coal rights and coal leases ($10,953,000) would not be used or required to be used to provide service to customers during the test years, but rather, would be required when Sheerness 2 was commissioned. Accordingly, the Board disallowed the above from rate base and allowed their inclusion in Plant Held for Future Use (PHFFU).

(iv) **Red Deer Leases**

The Board considered these leases ($512,000) were neither used nor required to be used to provide service during the test years. Accordingly, the Board disallowed this item from rate base. The Board considered that the leases may be of long term benefit to customers and therefore allowed the item to be included in PHFFU, along with the annual rental fees.

(v) **H.R. Milner Coal Leases**

The Board considered this item ($1,090,000) to be a "contingency" expenditure to which APL did not appear to be committed at this time. Accordingly, the Board disallowed the item from rate base.

(vi) **Transmission Additions**

The Board was satisfied that the Whitefish-Mildred Lake line ($47.6 Million in 1987) and the Deerland-Marguerite Lake line ($21.4 Million in 1986 and $25.9 Million in 1987) were required to be used in the test years as proposed by APL. However, in view of the concern that a slight delay in construction scheduling would result in those projects scheduled to be completed in 1987, not being included in 1987 rate base on an actual basis, the Board directed APL not to

add AFUDC after Midyear 1987 to the projects scheduled for completion in 1987.

(vii) **Sheerness Housing**

The Board found 28 of 43 Sheerness housing units to be not used or required to be used to provide service during the test years as they were not occupied by APL personnel. Accordingly, the Board disallowed the costs and revenues relative to the 28 housing units. The Board allowed the inclusion of the 28 housing units and revenues in PHFFU.

(B) Accumulated Depreciation

(i) **Valuation of Reuse Salvage For Transmission And Distribution (T&D) Plant**

The Board considered that the appropriate valuation of items returned to stores, for the purpose of determining reuse salvage, should be at original cost discounted by 50% to recognize the equitable allocation of depreciation on the items over their expected life at one or more locations. On this basis the Board estimated revised net salvage percentages for T&D Plant and reduced the proposed depreciation expense by $1,107,000 in 1986 and $1,272,000 in 1987. The Board directed APL to adopt the cradle to grave approach for T&D items which can be readily tracked.

(ii) **Net Salvage On Steam Plant**

The Board was not persuaded that changing the negative net salvage for steam plant from –5% to the –10% proposed by APL was appropriate at this time, for the following reasons:

The inflation assumption implicit in the –10% net salvage was considered to be higher than the current expectation for future inflation.

The demolition study on which the proposed change was based used limited information.

Accordingly, the Board approved a – 5% negative net salvage on steam plant and adjusted the depreciation expense to reflect this change.

(iii) **Depreciation Parameters For Steam Plant**

The Board accepted the life spans and the interim retirement curves for steam plant as proposed by APL except as follows:

The bulk of historical retirements for boiler plant related to the H.R. Milner plant. The Board was not persuaded that the retirement history for the H.R. Milner plant was representative of the pattern of expected retirements for the Battle River and Sheerness Plants. The Board therefore considered it appropriate to use a 65R3 interim retirement curve for boiler plant equipment at Battle River and Sheerness, instead of the 50R2 curve proposed by APL. The Board adjusted depreciation expense accordingly.

(C) Necessary Working Capital (NWC)

(i) **Method of Calculation**

The Board considered the lead-lag approach the appropriate method for calculating NWC. However the Board considered that the balance sheet calculation of NWC may be used as one means of confirming the reasonableness of the results under the lead-lag approach.

(ii) **Unbilled Revenues**

The Board noted that rate setting and accounting for revenues is not in practice carried out on an accrual basis by APL, whereas APL's lead-lag study implicitly assumes that this is so.

The Board considered that in determining the revenue lag, the receipt of revenues for lead-lag study purposes should be calculated on a basis consistent with the method actually used for rate setting and accounting for revenues.

Accordingly, the Board reduced the proposed revenue lag to recognize unbilled consumption and adjusted APL's NWC to reflect this change.

(iii) **Financial Items**

The Board considered that financial items (i.e. debt interest, preferred dividend and common return) form part of APL's cost of service and there need not be any distinction between financial items and other operating costs. The Board considered that financial items should be included in the lead-lag calculation of NWC and accordingly, adjusted APL's NWC.

(iv) **Refund Accrual**

The Board found it inappropriate to reduce NWC by the amount of the 1984 and 1985 excess revenue refund accrual.

(v) **Lag on 1986 Income Tax Instalments**

The Board adjusted the 1986 income tax lag to recognize a 241.5 day lag applicable to the final income tax payment due in February of 1987. APL's NWC calculation was adjusted accordingly.

(vi) **H.R. Milner Fuel Inventory**

An inventory level over that required for 12 months consumption was held to be excess inventory. The Board considered the excess inventory to be predominantly made up of raw coal. Accordingly, the Board reduced APL's NWC by $2,306,000 in 1986 and $3,196,000 in 1987 to reflect 12 months inventory at H.R. Milner.

(3) Fair Return

(A) Capital Structure

The Board did not consider it appropriate to include short term debt in the capital structure.

(B) Debt and Preferred Cost Rates

APL forecast coupon rates of 11.0% and 7.5% for new debt and preferred capital, for 1987. The Board approved cost rates for new debt and preferred capital of 10.25% and 7% respectively for 1987.

(C) Return on Common Equity

The Board considered that the weights applied to the equity return tests (comparable earnings, Discounted Cash Flow and Equity Risk Premium) require informed judgment. On the evidence provided

respecting equity rate of return, the inclusion of Sheerness 1 in rate base in the face of excess capacity, and the fact that APL's 1986 forecast included 8 months of actuals, the Board determined the fair rate of return on rate base common equity for 1986 and 1987 to be 13%.

Given its adjustments to NWC, the Board did not consider it necessary or appropriate to adjust the allowed rate of return on rate base common equity to compensate for the difference between rate base and total corporate capital.

(4) **Revenue Requirement**

(A) **Cash Operating & Maintenance (O&M) Expenses**

(i) **Labour Forecast**

The Board reduced APL's forecast labour expense, for unfilled positions and estimated capitalization of labour expense, as follows:

	1986 $	1987 $
Unfilled Positions	268,000	384,000
Capitalization	291,000	503,000
TOTAL	559,000	887,000

(ii) **Coal Costs**

The Board reduced APL's forecast of coal costs by $2,031,000 in 1986 and $2,426,000 in 1987. This reflected a price reduction which limited coal cost increases to 3.5% in each test year and a mix change at the H.R. Milner plant, where the proportion of raw coal impacting on the average price per ton of Milner coal was reduced, consistent with the Board's adjustment to H.R. Milner coal inventory.

(iii) **Line Rental and Wheeling**

The Board excluded $510,000 for unbilled wheeling charges which accrued in previous years from the proposed 1987 O&M expense.

(iv) **Head Office Rent**

The Board considered that its findings with respect to Head Office Rent in Decision E85144 (APL Phase I Decision for the 1984/85 Test Years) should not be varied. Accordingly, the Board approved an annual rental of $13.70 per square foot and 2.5% Management fee on gross rental revenues. The Board reduced the proposed O&M expenses by $433,000 and $440,000 in 1986 and 1987 to reflect the above changes.

(v) **Provision For Injuries and Damages**

The Board found it prudent for APL to increase its reserve for Injuries and Damages. However the Board considered that the total increase requested in 1986 and 1987 should be amortized over a period of 3 years instead of 2 years, commencing in 1986. The Board considered further that an increase in the reserve allowed by the Board in 1985 and not booked should be recognized in calculating the amount to be amortized over three years. Accordingly, the Board reduced O&M expenses by $392,000 in 1986 and $397,000 in 1987 to reflect the above change.

(5) **Income Tax**

The Board considered that deemed mid-year financing of new debt would normalize debt interest used for utility income tax calculation. Accordingly, the Board reduced 1986 income tax expense by $2,754,000 to reflect the utility income tax expense, assuming mid-year financing of long term debt in 1986.

(6) **Revenue Deficiency**

The Board determined excess revenues in 1986 and 1987 of $14,570,000 and $24,206,000 respectively, at interim rates.

(7) **Other Matters**

Coal Cost Confidentiality

The Board considered that access to relevant information is a vital component of the fair hearing process. The Board stated:

> "These considerations combined with the rules of natural justice as codified in the Administrative Procedures Act and consideration of Wigmore's four privilege conditions, require that all coal cost information brought before the Board in support of an application be open to scrutiny in a public hearing."

The Board found it unnecessary to deal with the quantum of dollars associated with coal leases and coal rights proposed to be added to rate base in view of its finding that these items were not used or required to be used in the test years.

Based on the evidence provided, the Board allowed a 3.5% increase in the price of coal to be included in revenue requirement.

The Board considered that for the purposes of the Decision and in the future, if APL requested increases, changes or alterations to rate base and revenue requirement then the onus was on the company to provide sufficient information in support thereof.

(8) **Final Rates**

Order E87046 dated May 29, 1987 fixed and approved final rates for APL, effective June 1, 1987, pursuant to a "Mini Phase II" Hearing held in order to adjust interim rate levels to the revenue requirement for 1986 and 1987 approved by the Board in Phase I Decision E87025 dated April 2, 1987. The reasons for Order E87046 were provided in Decision E87068 dated July 27, 1987.

The Board considered that in the interest of long term rate stability, it would be appropriate to take steps towards improving revenue cost ratios that were significantly outside the tolerance range, subject to the constraints of customer migration, interrelationship between rate classes and rate levels of other utilities.

Accordingly the Board approved a 3.08% reduction in base rates for the residential, farm and lighting customer classes and a 10.73% reduction in base rates for industrial (including Proctor & Gamble) and general service customer classes.

Rate riders to give effect to excess revenues received by APL in 1986 and 1987 and the 1985 Electric Energy Marketing Agency adjustment amount, were approved by way of Riders "J" and "M" respectively.

At year-end the Board was awaiting assessment of intervenor's costs.

2.03 (a) RE87002/E3.5.6/85/Alberta Power Limited

(b) Pursuant to Section 84(2) of the Public Utilities Board Act, for an increase in rates to collect the 1985 Alberta Electric Energy Marketing Agency (EEMA) adjustment amount.

(c) In Decision E87022 dated March 20, 1987, the Board approved an increase in rates for Alberta Power Limited (APL), by way of a temporary surcharge (Rider "M"), to collect the $16.5 Million 1985 EEMA adjustment amount, effective on billings from May 1987 to January 1988.

The Board considered that the 1985 EEMA adjustment amount was an increased cost to APL, the components of which by consumer group impact on 1987 cost of service by specific dollar amounts attributable to each consumer group. Accordingly, the Board considered the recovery of the adjustment amount through Rider "M" should be effected by consumer group.

2.04 (a) RE87015/E3.5.5/85 R.V./Alberta Power Limited

(b) For a review and variance of Order E86100 and Decision E87001 respecting the price at which Alberta Power Limited (APL), Edmonton Power and TransAlta Utilities Corporation (TransAlta) sold electric energy to the Electric Energy Marketing Agency (EEMA) in 1985.

(c) Decision E87048 dated June 16, 1987 granted a review of the four areas of the Decision in which APL alleged the Board had erred, namely:

(1) APL's peak load at the interface,

(2) TransAlta's company use load,

(3) Canterra load, and

(4) Sheerness housing in rate base.

The Board approved a variance in respect of issues 1, 2 and 4.

With regard to the first issue the Board granted a review and variance on the basis of correction of a clerical error. The Board considered that the original adjustment in Order E86100 failed to properly recognize Proctor and Gamble's generation at the time of APL's non-coincident peak.

Regarding the second issue, the Board granted a review and variance on the basis of inconsistent treatment of the company use load of TransAlta versus that of APL. The Board considered that by requiring APL to use the non-coincident peak method at the utility level, APL had been denied the opportunity to exclude all or part of its company use load from the load at the interface in much the same way as had TransAlta. The Board considered that exclusion of company use load in this manner, rather than including it as part of the industrial consumer group load, would yield a more appropriate allocation of costs reflecting the similarity of company use load to the station service requirement.

The Board granted a review of matters related to issue 3 on the grounds that the treatment of the Canterra load may have been inconsistent with that accorded customer supplied loads of the other utilities. APL alleged that Canterra, Dow, Proctor and Gamble, and the University of Alberta were similar by virtue of there being customer generated load with fuel supplied by the customer. The Board was persuaded that the numerous differences, which were acknowledged by APL under cross-examination by the Intervenors, were significant and, accordingly, denied the variance requested by APL. The Board did, however, in recognition of the apparent benefits provided by the Canterra Lease Agreement respecting fuel savings and deferred transmission facilities, allow APL the opportunity to pursue the matter at a future date given that certain filing requirements were met.

With respect to the removal of Sheerness housing from rate base, the Board granted a review and variance on the grounds of correction of a clerical error. In Decision E87001 the Board considered Sheerness housing to be functionalized 100% upstream, whereas the evidence before the Board was that the appropriate amount should have been 78.22% due to housing being included in General Plant. In addition to the adjustment to rate base, the Board approved the removal of rental revenue in respect of that housing as an upstream revenue offset.

The above variances broken down by consumer group were as follows:

	Residential	Industrial	General Service
(1) Peak Demand	(660,000)	155,000	424,000
(2) Company Use Load	506,000	(947,000)	445,000
(4) Sheerness Housing	113,000	(28,000)	199,000
TOTAL	(41,000)	(820,000)	1,068,000

The Board considered that the adjustment be accorded treatment consistent with Decision E87022 and be dealt with at the time of the 1986 adjustment. The Board considered the six month period for review and variance (R & V) to be counted from the issuance of Order E86100 which was considered to be the operative order. In respect of future applications for R & V of EEMA adjustment orders, the Board invited consideration of the need for strict adherence to the criteria found in E84117 inasmuch as the EEMA process requires adjustments.

2.05 (a) RE87045/E3.5.89-50A R.V./Alberta Power Limited

(b) For a review and variance of Decision E87025 dated April 2, 1987.

(c) Decision E87083 dated September 18, 1987 considered the five grounds of appeal raised by the Applicant and granted a review and variance on the following:

(1) **Increase in Income Tax**

The Provincial Budget which was announced on March 20, 1987 indicated that there would be an increase in income and other taxes in Alberta for 1987. Alberta Power Limited (APL) submitted that this was new evidence which was not available at the time of the Phase I hearing. The Board agreed to vary Decision E87025 by increasing the utility revenue requirement in 1987 by $7,316,000 to account for the 1987 Provincial Budget.

(2) **Clerical Error in Calculating Coal Costs**

APL requested that the Board correct an error in computation of the 1985 unit cost of coal at Battle River and Sheerness to which the 3.5% escalation factor was

applied. The Board determined that a clerical error had occurred in the calculation of the base for unit coal costs. Accordingly, the revenue requirement for 1986 and 1987 as determined by the Board in Decision E87025 was increased by $909,000 and $659,000 respectively, to reflect the correction of the clerical error.

A review was denied on the grounds raised by APL respecting negative working capital, the allocation of Sheerness common costs between Unit 1 and Unit 2, and the attainment of additional coal costs information on the basis that none of these grounds met the criteria used by the Board to grant a review.

Order E87098 dated October 19, 1987 set final rates, effective November 1, 1987 for APL, pursuant to Decision E87083.

At year-end, the Board is awaiting assessment of intervenor costs by APL.

2.06 (a) RE87067/E3.5.87(1)(e)-31/Alberta Power Limited

(b) For an Order approving the purposes of and authorizing the issue of 3,000,000 7.10% Cumulative Redeemable Second Preferred Shares Series N to Canadian Utilities Limited (CUL) to fund the sum of $75,000,000 received from CUL, to be used to redeem all outstanding 14.50% Second Preferred Shares Series G and to finance its continuing construction program.

(c) Approved/E87073 dated August 19, 1987.

2.07 (a) RE87096/E3.5.87(1)(g)-5/Alberta Power Limited

(b) For a declaration of exemption from Section 91.1(2)(d) of the Public Utilities Board Act for the specific purpose of the proposed sale of Alberta Power Limited's interests in Northland Utilities (NWT) Limited.

(c) Approved/E87089 dated September 25, 1987.

2.08 (a) RE87108/E3.5.3/88/Alberta Power Limited

(b) The Board proceeding pursuant to the Electric Energy Marketing Act to set the price or pricing formula in respect of each consumer group at which Alberta Power Limited shall sell electric energy to the Electric Energy Marketing Agency during 1988.

(c) Approved/E87110 dated October 30, 1987.

2.09 (a) RE87114/E3.5.87(1)(e)-32/Alberta Power Limited

(b) For an Order approving the purposes of and authorizing the issue of a 12% Debenture 1987 Series in the principal amount of $60,000,000 to Canadian Utilities Limited.

(c) Approved/E87120 dated December 14, 1987.

2.10 (a) RE87125/RE87126/E3.5.89-51/E3.5.89-52/Alberta Power Limited

(b) (1) For approval of a continuation of Rider "M" (1985 Electric Energy Marketing Agency (EEMA) adjustment amount) and Rider "J" (1986/87 temporary refund rider).

(2) For discontinuance of the 1985 EEMA adjustment surcharge (Rider "M") for the Industrial Consumer group, effective December 1, 1987, due to recovery of the Industrial Consumer group Rider amount prior to the originally estimated termination date of the Rider.

(c) (1) Order E87116 dated November 20, 1987 approved the continuation of Rider "M" and Rider "J".

(2) By Order E87132 dated December 29, 1987 the Board approved Alberta Power Limited's (APL) applications, pursuant to Section 50 of the Public Utilities Board Act. The Board considered that approval of the application would provide rate stability.

Rider "M" would continue at the existing level pending the filing of APL's application for recovery of the 1986 EEMA adjustment amount in January 1988. The expiry of Rider "J" was extended to the end of March 1988 from end of January 1988 to avoid an increase in the Rider "J" percentage from the existing 3% to 6.7% in January 1988, due to billing adjustments that were not anticipated at the time Rider "J" was set pursuant to Decision E87098 dated October 19, 1987.

2.11 (a) RE87099/E3.8.2/Southern Utilities Company Limited

(b) Complaint by the Village of Coutts regarding billing demand charged to the Village of Coutts by Southern Utilities Company Limited.

(c) At year-end the Board was awaiting further information.

2.12 (a) RE82125/E3.6.87(1)(g)-5 (Appeal) Vol. 3/TransAlta Utilities Corporation

(b) In a judgment dated February 12, 1986 the Court of Appeal referred Decisions E84116 and E84140 back to the Board for a redetermination of the allocation of the proceeds of the sale of assets resulting from the sale by TransAlta Utilities Corporation (TransAlta) to the City of Edmonton of certain of its property.

(c) In Decision E87036 dated May 7, 1987, the Board noted the ruling of Mr. Justice Kerans which stated that:

> "(t)he compensation paid by Edmonton gave TransAlta its entire original investment back in 1982 dollars, including that portion earlier returned as depreciation allowance."

Given that the Court of Appeal had ruled that the proceeds of $15,554,941 represented the original cost including accumulated depreciation allowance in 1982 dollars, the Board considered that the amount of $3,522,962 less applicable income taxes was the amount that should be accounted for as utility revenue by TransAlta.

2.13 (a) RC83798/E3.6.87(1)(g)-5 (Costs)/TransAlta Utilities Corporation

(b) For a determination and fixing of City of Calgary (Calgary) costs to be paid by TransAlta Utilities Corporation in respect of a redetermination of Decision E84116 respecting the treatment of the gain on sale of assets in accordance with the direction of the Court of Appeal contained in its judgment dated February 12, 1986.

(c) (1) Decision E87109 dated October 30, 1987, determined and fixed costs for Calgary.

(2) The Board considered that the use of three qualified consultants to determine the issue of redetermination of the gain on sale of assets was excessive. The Board reduced the consultant fees for preparation and attendance by half.

(3) The Board considered that the claim for two counsel for attendance at the hearings was excessive and attendance at hearing claims were reduced by half.

(4) Total costs claimed were: $32,624.53
Total costs awarded were: $25,226.73

2.14 (a) RC86004/E3.6.89-18/TransAlta Utilities Corporation

(b) For approval of a change in the street light surcharge in the Banff Townsite.

(c) Adjourned sine die at the request of the Applicant.

2.15 (a) RC86039/C3.6.87(1)(e)-48/TransAlta Utilities Corporation

(b) For an Order approving the purposes of, and authorizing the issue of 4,000,000 7.08% First Preferred Shares to raise the sum of $100,000,000.

(c) Approved/C87002 dated January 7, 1987.

2.16 (a) RE87004/E3.6.6/85/TransAlta Utilities Corporation

(b) The Board, proceeding on its own motion (Resolution dated April 10, 1987), to review the affairs, earnings and accounts of TransAlta Utilities Corporation (TransAlta) as a consequence of an adjustment to the price at which it sold electric energy during 1985 to the Electric Energy Marketing Agency (EEMA).

(c) (1) **General**

Decision E87042 dated June 3, 1987 approved as final the riders proposed by TransAlta to refund the $17.5 million to its customers, such refund representing the 1985 EEMA adjustment amount. Also approved, on an interim refundable basis, was a second rider proposed by TransAlta to recover the increase in provincial income tax attributable to the higher corporate tax rate announced in the March 20, 1987 provincial budget.

(2) **1985 EEMA Refund Rider**

TransAlta proposed a set of rate class specific riders to refund the 1985 EEMA adjustment amount over the period July 1 – December 31, 1987. The method was based on the allocation of the refund to rate classes (previously "sorted" by consumer group) in accordance with the assigned demand and energy. The Industrial Power Consumers Association of Alberta (IPCAA) took exception to the Rate 790 customers in the large industrial consumer group being blended with Rate 790 customers in the general service consumer group for refund purposes. The Board considered IPCAA's point to be valid and suggested that it be addressed by TransAlta at its next EEMA adjustment disposition proceeding.

TransAlta's position regarding the 1985 EEMA refund was that it should be retained by the company and used to reduce its 1987 revenue requirement. The Board disagreed with this position stating that the revenue requirement of a given year should not be artificially increased or decreased by an adjustment from a previous year. The Board considered the refund to be distinct from any matters relating to revenue requirement, and further that it be treated as expeditiously as possible by means of a separate proceeding.

(3) **Income Tax Rider**

The Board considered TransAlta's determination of the amount of increased provincial income tax ($24.2 million payable by installments) and its means of collection via a 3.5% across the board rider, to be reasonable.

TransAlta requested that the EEMA refund rider and the income tax rider be approved concurrently, and further that, if the tax rider were to be denied, the EEMA refund would remain with TransAlta. As stated above, the Board considered the riders to be independent matters whose outcomes were to be decided on their respective merits.

With respect to approving the tax rider in isolation from other elements of the revenue requirement, the Board considered the circumstances to be similar to past situations in which a utility's rates were adjusted to account for significant and unforeseen increases to taxes or royalties imposed by senior governments. In view of this, the Board approved the rider on an interim refundable basis. The Board stated it may finalize the rider at year-end in the event that no proceeding to review the rates, tolls or charges was initiated for the 1987 test year by a party having an interest.

(4) In Order E87115 dated November 27, 1987 the Board approved the amounts to be paid by TransAlta to each Intervenor in respect of the proceedings.

2.17 (a) RC87008/C3.6.87(1)(e)-49/TransAlta Utilities Corporation

(b) For an Order approving the purposes of and authorizing the issue of 4,000,000 7.10% First Preferred Shares.

(c) Approved/C87008 dated May 13, 1987.

2.18 (a) RE87011/E3.6.89-16B R.V./TransAlta Utilities Corporation

(b) Application by the City of Lethbridge (Lethbridge) for a review and variance of Decision E86051 to remove the inequity in the wording of clause (c) of Rate 850 (Wholesale Supply) of TransAlta Utilities Corporation (TransAlta) effective as of December 1, 1986.

(c) Decision E87031 dated May 5, 1987 amended clause (c) of Wholesale Supply Rate 850 in order to remove the ambiguity which existed between the wording of Rate 850 and the Board's position as stated at page 120 of Decision E86051.

Lethbridge pointed out that the above ambiguity led to a situation in which a Wholesale customer could be penalized for acceptable power factors above 90%. Lethbridge also submitted evidence to support its position that the penalty for poor power factor, as determined by TransAlta in accordance with Rate 850, was excessive by the amount of $6,793.92 for each of the months of December, 1986 to April, 1987.

The Board's decision to hear the application was based on the criterion of "clarification of an ambiguity" having been satisfied. The Board agreed with Lethbridge that power factors above 90% should not be penalized and, accordingly, amended clause (c) to reflect this. With respect to Lethbridge's second concern, the Board considered the matter related more to changed circumstances (i.e. the mild winter of 1986/87) and might be more appropriately addressed at TransAlta's next general rate application.

2.19 (a) RC87025/C3.6.87(1)(e) & (g)-10/TransAlta Utilities Corporation

(b) For an Order approving the purposes of, and authorizing the issue of up to $150,000,000 Medium Term Secured Debentures Series "A" at a maximum interest rate of 15% per annum.

(c) Approved/C87019 dated September 22, 1987.

2.20 (a) RC87027/C3.6.87(1)(e) & (g)-11/TransAlta Utilities Corporation

(b) For an Order approving the purposes of, and authorizing the issue of New Common Shares and Secured Debentures, Series M in exchange for existing Class A and Class B Common Shares.

(c) Approved/C87032 dated December 15, 1987.

2.21 (a) RE87100/E3.6.89-16B R.V./TransAlta Utilities Corporation

(b) Application by Leth's Turkey Farm Ltd. for a review and variance of Board Decisions E86005 dated January 14, 1986 and E86051 dated August 29, 1986.

(c) Decision was pending at year-end.

2.22 (a) RE87110/E3.6.3/88/TransAlta Utilities Corporation

(b) The Board proceeding pursuant to the Electric Energy Marketing Act to set the price or pricing formula in respect of each consumer group at which TransAlta Utilities Corporation shall sell electric energy to the Electric Energy Marketing Agency during 1988.

(c) Approved/E87112 dated October 30, 1987.

2.23 (a) RE87120/E3.6.6/86/TransAlta Utilities Corporation

(b) For approval of Adjustment Riders to give effect in 1988 to the adjusted Electric Energy Marketing Agency (EEMA) prices arising from Board Decisions E87048 dated June 16, 1987 and E87100 dated December 18, 1987.

(c) Decision E87125 dated December 23, 1987 approved the Adjustment Riders effective January 1, 1988 to December 31, 1988. The impact of these riders was to refund a net amount of $25,929,000 in respect of 1985/1986 to customers of TransAlta Utilities Corporation in 1988. The Adjustment Riders provide an average refund of about 2.8%.

SECTION 3: PUBLIC UTILITIES
Water

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

3.01 (a) RE87077/E3.317.1/Westridge Water System

(b) Complaint by Dr. Blythe K. Brown re: excessive rates.

(c) Following an informal advice and direction meeting held on August 18, 1987 with the Board, the parties agreed to negotiate a settlement and the Board considered the matter closed.

SECTION 4: GAS UTILITIES

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

4.01 (a) RE87008/E4.5.35-20 R.V./Bonnyville Gas Company Limited

(b) (1) For a review and variance of Decision E86016 dated April 21, 1986, requesting a change in rates to recover income taxes that were not forecast at the time of the 1986/87 General Rate Application.

(2) For authority to convert a $650,000 debenture issue and a $600,000 debenture issue from floating interest rate debentures to fixed interest rate debentures at a rate of 11% per annum for the period November 19, 1986 to December 1, 1989.

(c) Order E87028 dated April 7, 1987 approved a temporary rate rider to recover the forecast income tax liabilities for 1986 and 1987 and increased Bonnyville Gas Company Limited's (Bonnyville) base rates effective August 1, 1987 to recover the annualized tax liability in 1988 and beyond.

The Board noted that the forecast tax liabilities for the two test years were not foreseeable at the time of the 1986/87 General Rate Application as they resulted from an audit and reassessment of Bonnyville's income for the years 1982 to 1985. The Board further noted that, although Bonnyville planned to appeal the assessment, the outcome of the appeal would have no effect on the tax liability for the two test years.

Order E87028 approved the amendments to the two debenture issues as requested by Bonnyville.

Order E87028 also considered the results of Bonnyville's Rider "A" and Rider "B" reconciliations, which were filed with the Board on February 12, 1987, showing a net over recovery of $6,233.98 for the 1985 calendar year. The Board approved Bonnyville's request that the over collection be offset against the cost of the Depreciation study ordered in Decision E86016 for which no allowance was included in the 1986 or 1987 Revenue Requirement.

4.02 (a) RE87046/E4.5.35-20 R.V.-2/Bonnyville Gas Company Limited

(b) For a review and variance of Decision E86016 dated April 21, 1986, requesting a change in rates to recover income taxes for the years 1982 through 1985.

(c) Order E87080 dated August 28, 1987 approved a temporary rate rider on consumption from August 1, 1987 to July 31, 1988 to recover the income tax liabilities that were not previously forecast for the years 1982 through 1985. The Board noted that the tax liabilities resulted from a reassessment by Alberta Corporate Tax and that the total of the reassessed taxes would be rebated to Bonnyville's customers in the Alberta Government's fiscal year commencing on April 1, 1987.

Order E87080 also considered the results of the Bonnyville's Rider "A" and "B" reconciliations, which were filed with the Board on August 19, 1987, showing a net over-recovery of $9208.93 for the 1986 calendar year. The Board approved a credit rider to refund the net-overcollection from August 1, 1987 through December 31, 1987.

Order E87086 dated September 24, 1987 corrected a typographical error in Order E87080.

4.03 (a) RE87091/E4.5.25/Bonnyville Gas Company Limited

(b) To transfer more than 50% of its outstanding capital stock to ICG Utilities (Alberta) Ltd.

(c) Approved/Decision E87122 dated December 1, 1987.

4.04 (a) RE85039/E4.7.35-32B/Canadian Western Natural Gas Company Limited

(b) (1) For approval of a change in rates.

(2) For approval of the payment of Phase II Intervenors' costs.

(c) Decision C87004 dated February 13, 1987 approved the payment of Phase II Intervenors' costs amounting to a total of $114,926.82 to the City of Calgary, the Federation of Alberta Gas Cooperatives Ltd. and Cominco Ltd.

The Board agreed with the submission of Cominco Ltd. that three of the criteria for the determination of whether costs should be awarded are the effectiveness, benefit and propriety of the costs. The Board considered that in assessing the "benefit" criterion in Phase II proceedings that it must evaluate the assistance provided to the Board in the testing of the applicant's case. This "benefit" need not, and usually will not, be applicable to all customers, as in Phase I proceedings.

4.05 (a) RE86057/E4.7.35-41/Canadian Western Natural Gas Company Limited

(b) Application by Cominco Ltd. for an order or orders of the Board requiring Canadian Western Natural Gas Company Limited (CWNG) to provide transportation of gas to Cominco Ltd.'s Calgary plant at CWNG's Rate No. 9.

(c) Interim Order C86018 dated September 18, 1986 ordered CWNG to provide transportation to Cominco's Calgary plant at CWNG's Rate No. 9 for the period November 11, 1986, on an interim basis until such time as the Board had issued a policy order with respect to gas transportation and given effect to that policy.

Order C87018 dated October 2, 1987 ordered CWNG to provide gas transportation service to the Calgary plant owned by Cominco at CWNG's Rate 21, as approved in Order C87014, dated August 25, 1987, for the period November 1, 1986 to October 31, 1987, inclusive.

4.06 (a) RC87011/C4.7.35-51/Canadian Western Natural Gas Company Limited

(b) For approval of a change in rates relating to the Village of Linden because of a change in the revenue tax rate.

(c) Approved/E87072 dated August 10, 1987.

4.07 (a) RC87013/C4.7.35-52/Canadian Western Natural Gas Company Limited

(b) For approval of a change in rates relating to the Town of Raymond because of a change in the revenue tax rate.

(c) Approved/C87013 dated August 19, 1987.

4.08 (a) RC87019/RC87023/RC87024/C4.7.35-61/C4.7.35-62/C4.7.35-63/Canadian Western Natural Gas Company Limited

(b) For approval of a change in rates relating to the Village of Stirling, Town of Cardston and Town of Magrath because of a change in the respective revenue tax rates.

(c) Approved/C87023 dated October 20, 1987.

4.09 (a) RE87024/E4.7.35-47/Canadian Western Natural Gas Company Limited

(b) For an Order of the Board approving a decrease in Rate Rider "C" (for non-rebateable sales, that is, sales not subject to rebate under the Natural Gas Rebates Act) to $0.000/GJ.

(c) Ex Parte Order E87033 dated April 22, 1987 approved a decrease in Rate Rider "C" to $0.000/GJ effective on consumption on and after April 1, 1987.

Canadian Western Natural Gas Company Limited (CWNG) submitted that its non-rebateable costs will be significantly less than the then approved Rate Rider "C". CWNG also agreed that it would continue to file with the Board reconciliations of these non-rebateable costs with Rate Rider "C" revenues. The Board approved refunds or charges to affected customers based on these reconciliations. The Board considered that the foregoing sufficiently constituted a special circumstance and approved the ex parte application pursuant to Section 54 of the Public Utilities Board Act.

4.10 (a) RE87036/E4.3.26-1/E4.7.35-48/Canadian Western Natural Gas Company Limited

(b) Application by Northridge Petroleum Marketing, Inc. for an Order from the Board directing Canadian Western Natural Gas Company Limited (CWNG) to provide transportation for gas supplied to the plant owned by IKO Industries Limited in Calgary.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.11 (a) RE87041/E4.7.35-49/Canadian Western Natural Gas Company Limited

(b) Application by Northridge Petroleum Marketing, Inc. for an Order from the Board directing Canadian Western Natural Gas Company Limited (CWNG) to provide transportation for gas supplied to the plant owned by Alberta Sugar Co. in Taber.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.12 (a) RE87051/E4.7.35-53/Canadian Western Natural Gas Company Limited

(b) Application by Palliser Distillers Limited for an Order directing Canadian Western Natural Gas Company Limited (CWNG) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.13 (a) RE87052/E4.7.35-54/Canadian Western Natural Gas Company Limited

(b) Application by Alberta Distillers Limited for an Order directing Canadian Western Natural Gas Company Limited (CWNG) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.14 (a) RE87056/E4.7.35-58/Canadian Western Natural Gas Company Limited

(b) Application by Canbra Foods Ltd. for an Order directing Canadian Western Natural Gas Company Limited (CWNG) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.15 (a) RE87059/E4.7.35-60/Canadian Western Natural Gas Company Limited

(b) Application by Canada Packers Inc. for an Order directing Canadian Western Natural Gas Company Limited (CWNG) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.16 (a) RE87062/E4.7.18/Canadian Western Natural Gas Company Limited

(b) For permission to use roadways in the Municipal District of Kneehill No. 48 for the placing of its pipes and prescribing the terms and conditions of such use.

(c) The Board met with Canadian Western Natural Gas Company Limited and the Municipal District of Kneehill No. 48 on July 20, 1987 to review the matters at issue. The parties agreed to pursue a negotiated resolution if that proved possible. As of December 31, 1987 the parties remained in negotiation, and the application was held in abeyance.

4.17 (a) RE87068/E4.7.24(1)(e)-24/Canadian Western Natural Gas Company Limited

(b) For an Order approving the purposes of and authorizing the issue of 320,000 7.10% Cumulative Redeemable Second Preferred Shares Series "N" to Canadian Utilities Limited (CUL) to fund the sum of $8,000,000 received from CUL, to be used to redeem all outstanding 14.50% Second Preferred Shares Series G.

(c) Approved/E87074 dated August 19, 1987.

4.18 (a) RE87103/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1986 to December 31, 1986.

(c) In process at year-end.

4.19 (a) RE87104/E4.7.58/Canadian Western Natural Gas Company Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations to the cost of "non-rebateable" natural gas for the period January 1, 1987 to March 31, 1987.

(c) In process at year-end.

4.20 (a) RE87116/E4.7.24(1)(e)-25/Canadian Western Natural Gas Company Limited

(b) For an Order authorizing the issue and approving the purposes of the issue of a 12% Debenture 1987 Series in the principal amount of $25,000,000 to Canadian Utilities Limited.

(c) Approved/E87123 dated December 14, 1987.

4.21 (a) RE86044/E4.3.26/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) To amend Board Order E86111 dated December 30, 1986 which contained the orders and directions of the Board arising from Inquiry Report E86110 dated December 30, 1986 as they related to Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL).

(c) Order E87008 dated February 5, 1987 amended Order E86111 dated December 30, 1986 by extending the time limit that CWNG and NUL had to conform to from "within 30 days of the date" of Order E86111 to March 2, 1987.

4.22 (a) RE86044/RE85039/E4.7.35-32/C4.3.26-1/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) The Board having proceeded on its own motion on July 9, 1986 pursuant to Section 38(1) of the Public Utilities Board Act to inquire into, hear and determine the terms and conditions to be used and the formula to be adopted for establishing transportation rates for the contract carriage of natural gas requested filings for approval of proposed rates and terms and conditions of service for the transportation of natural gas by Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL).

(c) Decision C87014 dated August 25, 1987 approved gas transportation rates for producers and large industrial customers of Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL) effective for volumes transported on and after September 1, 1987. For the purposes of this Decision, the Board accepted the utilities' definition of large industrial as those customers consuming a minimum of 300,000 GJ per annum.

Decision C87014 also approved Natural Gas Transportation Service Regulations for CWNG and NUL, subject to the Companies filing with the Board specific amendments as directed by the Board.

In respect of the deferral account ordered by the Board in Order E86111 dated December 30, 1986, Decision C87014 further accepted NUL's and CWNG's proposal to hold only the premium related to actual short term transportation service provided by the utilities in the deferral account.

4.23 (a) RE87048/RE87065/E4.7.35-50/E4.14.35-60/E4.14.35-66/ Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) For approval to reduce gas sales rates and to establish a procedure for deferred gas accounting and reconciliation.

(c) Interim Order E87051 dated July 3, 1987 approved a decrease in Northwestern Utilities Limited's (NUL) sales rates of 25 cents per GJ for all natural gas consumption on and after July 1, 1987.

Interim Order E87052 dated July 3, 1987 approved a decrease in Canadian Western Natural Gas Company Limited's (CWNG) sales rates of 20 cents per GJ for all natural gas consumption on and after July 1, 1987.

The rates approved in these orders were interim only with respect to the gas cost component and the resulting effect such costs or adjustments thereto were likely to have on other cost components of the revenue requirement.

The procedure proposed by the utilities for deferred gas accounting and reconciliation appeared to the Board to be in principle, a satisfactory method. In this respect the Board considered that the details and approval of the procedure should be addressed in a future proceeding of the Board.

In Order E87117 dated December 2, 1987, respecting NUL,

the Board confirmed its decision from the Bench rendered on November 6, 1987. This Decision had approved a request made by NUL in its General Rate Application for changes to its method for accounting and for regulatory purposes of the following issues:

1. Recognition of unbilled revenues
2. Adoption of a Deferred Gas Accounting and Reconciliation procedure
3. Elimination of the Border Flowback Funds.

The Board approved as well NUL's proposed method of refunding (crediting) the over-collection in the Deferred Gas Account for the period January 1 to October 31, 1987. Further, NUL's proposed interim rates, reflecting the winter/summer differentials in its gas purchase costs, were approved on an interim basis effective November 6, 1987.

The reasons for the order issued from the Bench will be contained in the Phase I Decision respecting NUL's 1987/88 General Rate Application which was pending at year-end.

In Order E87118 dated December 2, 1987, respecting CWNG, the Board confirmed its decision from the Bench rendered on November 6, 1987. This Decision approved an application made by CWNG for changes in its method for accounting and for regulatory purposes with respect to the adoption of a Deferred Gas Accounting and Reconciliation procedure.

The Board approved as well CWNG's proposed method of refunding (crediting) the over-collection in the Deferred Gas Account for the period January 1 to October 31, 1987. Further, CWNG's proposed interim rates, reflecting the winter/summer differentials in its gas purchase costs, were approved on an interim basis effective November 6, 1987.

Reasons for the order issued from the Bench will be contained in the Phase I Decision for Northwestern Utilities Limited's 1987/88 General Rate Application.

4.24 (a) RE87053/E4.7.35-55/E4.14.35-61/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Alberta Dehy Association for an Order directing Northwestern Utilities Limited (NUL) and Canadian Western Natural Gas Company Limited (CWNG) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.25 (a) RE87054/E4.7.35-56/E4.14.35-62/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Maple Leaf Mills Limited for an Order directing Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.26 (a) RE87055/E4.7.35-57/E4.14.35-63/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by Lethbridge Brewery for an Order directing Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.27 (a) RE87058/E4.7.35-59/E4.14.35-65/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Application by CBR Cement Canada Limited for an Order directing Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL) to provide gas transportation service.

(c) Adjourned sine die pending the response of the Provincial Government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.28 (a) RE87094/RE87095/RE87097/RE87098/RE87101/RE87102/E4.14.35-67/E4.7.35-64/E4.7.35-65/E4.7.35-66/E4.7.35-67/E4.7.35-68/Canadian Western Natural Gas Company Limited/Northwestern Utilities Limited

(b) Applications from Calgary District Hospital Group, Canadian Forest Products Limited, Maple Leaf Mills Limited, CBR Cement Canada Limited, Canada Packers Inc., and Palliser Distillers Limited for an order or orders of the Board to alter terms of their gas supply contracts under Rates 2 and 3 with Canadian Western Natural Gas Company Limited (CWNG) and Northwestern Utilities Limited (NUL), to allow them to terminate service on 30 days notice, and for new rates for those applicants who have cancelled their contracts but require service on a month to month basis.

(c) Order C87031 dated December 14, 1987, denied the applications. The Board considered that it did not have the jurisdiction to alter the terms and conditions of existing gas supply contracts, and that any new rates should be established within the context of a General Rate application or a review and variance application.

4.29 (a) RE86090/E4.9.24(1)(e)-2/Elk Point Gas, Ltd.

(b) For an Order declaring that Section 25.1(2)(a) of the Gas Utilities Act does not apply to certain share issues.

(c) Order E87047 dated June 2, 1987 approved the application and declared that Section 25.1(2)(a)(i) did not apply to the shares issued to the president, directors and finance committee of Elk Point Gas, Ltd., by a General Shareholders Meeting dated December 12, 1985, as amended by a Board of Directors meeting dated January 2, 1986.

4.30 (a) RE87088/E4.9.24(1)(g)-3/Elk Point Gas, Ltd.

(b) For an Order approving the purposes of the issue and authorizing the issue of a $400,000.00 secured demand debenture in favour of the Toronto-Dominion Bank. The purpose of the proposed issue was to provide collateral security to demand promissory notes given from time to time by Elk Point Gas, Ltd. to the Toronto-Dominion Bank for refinancing the existing indebtedness to the Toronto-Dominion Bank and to undertake certain capital works to be undertaken this calendar year.

(c) Order E87096 dated October 14, 1987 approved the application of the debenture at an interest rate of 18% per annum.

4.31 (a) RE87092/E4.9.35-13/Elk Point Gas, Ltd.

(b) For approval of a change in rates relating to the Town of Elk Point due to the fixing of a revenue tax rate.

(c) Approved/E87093 dated December 2, 1987.

4.32 (a) RE87061/E4.10.35-18/Grande Prairie Transmission Co. Ltd.

(b) Application by Northwestern Utilities Limited for approval of a change in rates charged by Grande Prairie Transmission Co. Ltd.

(c) In process at year-end.

4.33 (a) RE87070/E4.10.35-19/Grande Prairie Transmission Co. Ltd.

(b) For approval of a change in rates.

(c) In process at year-end.

4.34 (a) RE85014/E4.15.35-31 R.V. (Costs)/E4.15.35-34 (Costs)/ICG Utilities (Alberta) Ltd.

(b) For an Order or Orders fixing and approving just and reasonable rates, tolls or charges and certain costs incidental to these matters.

(c) Decision E87012 dated February 23, 1987 fixed and approved for payment the amounts of $601.45 and $57.70 respectively, to Mr. P.K. Eichelbaum of the Energy Users Association of Alberta and Mr. C. Fagnan of the Town of Westlock. These payments were for costs incidental to ICG's application for a review and variance of Decision E85133 dated December 16, 1985 and ICG's application for a change in billing methodology and sales rates from a system based on volumetric measure to a system based on the energy value of the gas consumed.

4.35 (a) RE87007/E4.15.25-36/ICG Utilities (Alberta) Ltd.

(b) For approval of a reduction in rates.

(c) Order E87015 dated February 27, 1987 was approved pursuant to Section 50(1) of the Public Utilities Board Act. The Board approved on an interim basis a reduction in customer rates by 7¢ per GJ with respect to all consumption on and after March 1, 1987 due to projected reductions in the cost of natural gas purchases. Hearing to finalize interim rates pending at year-end.

4.36 (a) RE87013/E4.15.35-37/ICG Utilities (Alberta) Ltd.

(b) Filing for approval of T-Service rates as directed by Order E86111 dated December 30, 1986.

(c) Hearing to finalize interim rates pending at year-end.

4.37 (a) RE87047/E4.15.35-38/ICG Utilities (Alberta) Ltd.

(b) For approval of a change in rates relating to the City of Drumheller because of a change in the revenue tax rate.

(c) Approved/E87071 dated August 10, 1987.

4.38 (a) RE87076/E4.15.35-39/ICG Utilities (Alberta) Ltd.

(b) For approval of a change in rates relating to the Town of Athabasca because of a change in the revenue tax rate.

(c) Approved/E87079 dated September 2, 1987.

4.39 (a) RE87084/E4.15.35-40/ICG Utilities (Alberta) Ltd.

(b) For approval of a reduction in rates.

(c) Order E87081 dated August 31, 1987 was approved pursuant to Section 50(1) of the Public Utilities Board Act. The Board approved on an interim basis, a reduction in customer rates by 11¢ per GJ with respect to gas consumption on and after September 1, 1987. The Board also approved a temporary rate reduction of 5.4¢ per GJ for gas consumption from September 1, 1987 to December 31, 1988 to make an adjustment in the price of gas consumed prior to September 1, 1987. Both rate reductions were due to reductions in purchased natural gas costs. Hearing to finalize interim rates pending at year-end.

4.40 (a) RE84041/E4.14.35-39/Northwestern Utilities Limited

(b) For an Order or Orders approving new rates and changes in existing rates, tolls, charges or schedules thereof for natural gas utility service to be supplied by Northwestern Utilities Limited (NUL). The Phase I portion of the proceedings was completed in December, 1984. On January 10, 1985, NUL applied to the Board to have the evidence adduced by the witness for the Industrial Rate Intervenors (IRIs) disregarded and struck from the proceedings on the basis that NUL might reasonably have an apprehension of bias or otherwise be deprived of natural justice. The matter was referred to the Alberta Court of Appeal. Following the Court's Memorandum of Judgment dated November 25, 1985 one of the three members of the Division disqualified himself from any further consideration of the matters dealing with the Application.

(c) Following hearings held on May 6, 1986 to hear applications from certain registered intervenors to reconvene the Phase I proceedings for purposes of examining NUL's 1984/1985 actual results, the Board in Decision E86047 dated July 7, 1986 concluded it appropriate to reconvene the Phase I proceedings to hear evidence and submissions respecting the 1984/1985 actual results of NUL. These hearings were held at the Board's Edmonton Offices on October 29 and 30, 1986.

Phase I

(1) **General**

Phase I Decision E87002 dated February 6, 1987 determined the rate base, fair return and utility revenue requirement for the test years 1984 and 1985 and addressed the actual results of NUL for 1984 and 1985.

(2) **Rate Base**

(A) **Salt Cavern Storage Facilities**

The forecast additions to rate base of two salt caverns in 1984 and three in 1985 were considered appropriate given the forecast supply deficiency to meet the peak demand in the Edmonton-Fort Saskatchewan area. However, costs that were considered to be common to all the planned and potential facilities were allocated over the 15 probable caverns to be developed. Such common costs were considered as Plant Held For Future Use.

To evaluate the base pressure gas, capitalized as part of the salt caverns, NUL used its royalty cost of production rather than the average cost of all gas supplies. NUL's method was not accepted by the Board and use of the average cost of all gas supplies was approved for purposes of capitalizing the base pressure gas.

(B) **Capital Additions**

A review of actual and forecast capital additions indicated that except for 1980, the forecast additions exceeded actuals for the years 1981 to 1983 inclusive. The Board expressed concerns respecting these over runs and directed NUL to address at its next General Rate Application (GRA) the measures

taken to ensure that there would be greater accuracy in forecasting capital additions.

(C) **Extra-Ordinary Plant Loss**

NUL included the mid-year portion of the unamortized leasehold improvements abandoned at the Milner Building in the rate base. City of Edmonton (Edmonton) submitted it was improper to allow return on property no longer in service. The Board agreed with NUL that it was seeking merely to amortize the expense over a period of years rather than booking the entire amount in one year. Accordingly, the Board included the unamortized mid-year balance of Extra-Ordinary Plant Loss as part of the allowance for Necessary Working Capital.

(D) **Capitalization of 1985 Salaries and Wages**

Following a reduction to NUL's forecast of 1985 Salaries and Wages of $742,000, the Board considered that based on the 1982 and 1983 ratio of capitalized labour to total labour costs, a $317,000 reduction to capital additions was necessary.

(3) **Accumulated Depreciation and Depreciation Expense**

Dedicated Contract Facilities

The Board denied NUL's proposal to change its method of depreciating the Dedicated Contract Facilities from an equal life group method to a method which would record depreciation at the same rate as the life of the contract. The Board favoured the recovery of the cost of an asset over its useful life which might coincidentally be the same as the contract, but not necessarily so.

(4) **Necessary Working Capital**

(A) **Balance Sheet vs. Lead-Lag Method**

Using a balance sheet method, the IRIs submitted that NUL had a negative working capital and that rate base exceeded capitalization due to NUL's use of the lead-lag study. NUL argued that if daily balance sheets were used, and if only operating cost items were considered, the results of the balance sheet method would be the same as the lead-lag study.

(B) **Bond Interest and Preferred Dividends**

The Board agreed with NUL that payments of bond interest and preferred dividends were in respect of NUL's financial arrangements and represented investors' funds, and accordingly, should not be considered in a lead-lag study. The Board directed NUL to file, at its next GRA, a detailed, fully expanded and refined lead-lag study in support of its requested allowance for necessary working capital (NWC).

(C) **Days Required For Cheque Clearance**

Since approximately 11% of NUL's cheques required, on average, three days to clear the bank, NUL's necessary working capital allowance in respect of its Cash Operating Expenses was reduced accordingly.

(D) **Materials and Supplies Inventory**

The Operations & Maintenance (O&M) portion of the year-end Materials and Supplies inventory was calculated first by determining inventory that was specifically assignable to operations. To this was added 30% of inventory at remote locations rather than NUL's request of 50% which was considered unsubstantiated. A factor of 23.2% (based on a study of inventory withdrawals for O&M purposes during 1983), was then applied to safety or minimum stocks rather than NUL's request that all safety stock be considered O&M related. A factor of 23.2%, as submitted by NUL, was applied to the balance of inventory defined as working stock.

Using the above method produced a rate of 43% rather than the rate of 50% submitted by NUL.

(5) **Fair Return on Rate Base**

(A) **No Cost Capital**

Unsuccessful Exploration and Development

As a result of the Board's denial of NUL's proposal to change its method of accounting for the costs of Petroleum and Natural Gas Rights, the Board reinstated NUL's Suspense Account by $13.2 million in 1984. Accordingly, an adjustment was necessary to remove the $6.9 million added to the Unsuccessful Exploration and Development expense forming part of No-Cost Capital. This adjustment increased the No-Cost Capital balances by $5.3 million for each of the test years.

(B) **Cost of Debt and Preferred Equity**

NUL's 1985 forecast rates for debt at 14.50% and preferred equity at 10% were considered to be too high in view of the fact that the forecasts provided to it by the various underwriting firms suggested a range of 13.72% to 14.22% for debentures and 9.40% to 10.05% for preferred equity. The Board used a midpoint of these ranges for purposes of computing the embedded cost rates for debt and preferred equity.

(C) **Return on Common Equity**

The Board noted that the allowed rates are expected to yield approximately 14.74% and 14.63% on book common equity capital in 1984 and 1985 respectively. Based on the evidence presented, the Board allowed a rate of 13.50% for 1984 and 14.00% for 1985 on that portion of rate base deemed to be financed by common equity. NUL had requested rates of 16.00% for 1984 and 16.25% for 1985.

(6) **Gas Supply Expense**

(A) **Gas Supply Contracts**

The Board agreed with NUL that it could not succeed in reopening purchase gas contracts for a downward price redetermination as long as producers were opposed to this and further, the Courts in 1979, had ruled against Canadian Western Natural Gas Company Limited (CWNG) in its attempts to have the contracts reopened under the Arbitration Act. However, with the October 30, 1986 amendment to the Arbitration Act, subsequent to this 1984-1985 GRA, which provided for a consideration of "prices of other gas", the Board directed NUL to report at its next GRA, on the progress it had made in renego-

tiating the price of gas under gas purchase contracts and any ensuing savings expected for its core customers.

(B) **Line Losses and Unaccounted for Gas**

Based on a review of the experienced line losses, the IRIs submitted that the line loss averaged 0.78% over the last ten years and 0.36% over the last five years. NUL forecast a line loss factor of 1% in its Application. The Board determined that a factor of 0.40% in respect of line losses was acceptable for the test years.

(7) **Cash Operating Expenses**

(A) **Bad Debts Expense**

In view of the additional measures implemented by NUL in the test years to ensure that bad debts were kept to a minimum, the Board reduced the percentage of total revenues written off as bad debts from a forecast of 0.39% in 1984 and 0.38% in 1985 to 0.30% for each of the test years.

(B) **Salaries and Wages**

NUL's forecast of a 5% increase in wages for 1985 was considered unreasonable by the Board in view of an expectation, at the time forecasts were being prepared, of a depressed economy in 1984-1985 and given that the occupational group had accepted a zero percent increase in 1984. The Board, therefore, approved a forecast increase of 3% in wages for 1985.

(C) **CUL Shared Costs**

Computer Costs – The total computer costs allocated by NUL were forecast to increase by about 10% for 1984. However, the labour component of Planned Development and System Maintenance was forecast to increase 35% and 236% respectively. While the forecast costs were accepted, the Board directed NUL, at its next GRA, to provide an appropriate justification for the level of the Planned Development and System Maintenance costs.

(D) **Head Office Rental**

NUL leased from Canadian Utilities Limited (CUL), a total of 104,014 square feet at a rate of $16.95 per square foot at the CU Centre and expected to have vacant space, for future growth, of 16,870 square feet in 1984 and 8,870 square feet in 1985. The Board expressed concern that NUL had not provided assurance that leasing versus ownership of a major office building was the least cost alternative nor provided evidence that CUL had sought tenders on leasing space from other downtown developers.

The Board determined the appropriate rental rate to be $13.58 per square foot based on the effective rental rate of $14.29 for the additional space leased by CUL from Atco Ltd. in the November, 1982 Offer to Lease, less a 5% discount factor to recognize the fact that CUL is the major tenant, in fact the only tenant, in the CU Centre. Considering that NUL could have negotiated for additional space on an as required basis, the Board disallowed the associated rental costs for the vacant space.

(E) **Forecast Inflation re: O&M Supplies**

Based on a review of the Consumer Price Index up to the time NUL filed its updated evidence in September, 1984, the Board considered a 4% inflation forecast, rather than the 5% forecasted by NUL, as more appropriate for purposes of estimating the escalation of the nonspecific items of O&M Supplies for the test years.

(F) **Federal Excise Taxes**

Considering that NUL's rates, effective June 1, 1985 had been reduced to give effect to the elimination of the Canadian Ownership Special Charge (COSC), the Board reduced NUL's forecast 1985 revenue requirement by the difference between the forecast of $18,877,000 and the actual costs incurred up to June 1, 1985 of $8,468,000. The forecast revenues for 1985 were reduced as well.

(G) **Petroleum and Gas Revenue Tax (PGRT)**

The Board accepted the forecast PGRT expense for the test years. However, since Order E86074 dated October 6, 1986 approved the elimination, on an annualized basis, of the PGRT component of NUL's rates, tolls and charges, the Board directed NUL to design its proposed final rates based on the 1985 approved revenue requirement less the approved PGRT expense.

(H) **Municipal Franchise Taxes (MFT)**

The MFT amounts for the test years were reduced since the forecast revenues from the proposed final rates would be lower than the amounts forecast by NUL as a result of the approved revenue requirement being less than the forecast submitted by NUL.

(8) **Utility Revenues**

Transportation Sales

While NUL incorporated a 17,418 Terrajoules (TJ) increase in respect of its 1984 forecast transportation sales it forecast no change with respect to the 1985 transportation sales which were forecast to decrease from the 1984 level by 8,170 TJ. Based on the evidence presented, NUL's 1985 forecast was considered imprudent and the Board increased the forecast 1985 transportation sales by 20,481 TJ.

(9) **Analysis of 1984/1985 Actual Results**

The Board considered that actual results and analysis thereof constituted one of the relevant and important factors to take into account in the determination of the utility revenue requirement.

(A) **Prior Period Adjustments**

In 1984 and 1985, NUL received $4,602,000 and $3,056,000, respectively, in respect of certain prior period adjustments, principally related to the manner in which gas cost allowances and income tax had been calculated in certain previous years. The Board ruled that since such prior period adjustments related to operations previous to the test years, it

was inappropriate to adjust the revenue requirements of the test years.

(B) **Weather Related Earnings**

The Board concurred with NUL that $5.3 million of actual earnings in 1985 was attributable to the weather being colder than normal and to the effect of recording revenues on a billing basis. Accordingly, while a given year may show earnings accruing to NUL due to weather adjustments, similar adjustments may cause an earnings deficiency in another year in which case, it would not be reasonable to seek recovery of such a deficiency from customers.

(C) **Variances Between Forecasts and Actuals**

There were significant variances between forecasts and actuals in the following areas: Capital Additions, Gas Supply Expense, Salt Cavern Storage and Materials and Supplies Expense. The Board considered, however, NUL's forecasts were reasonable at the time such forecasts were prepared and filed with the Board (i.e. September, 1984).

(10) **Other Matters**

(A) **Method of Allocating Petroleum and Natural Gas Rights Acquisition Costs (PNG)**

The Board denied NUL's proposal to change its method of allocating PNG costs whereby all such costs would be allocated to the first successful or unsuccessful well. The Board agreed with Edmonton that NUL had not demonstrated that the results under the old method were incorrect or resulted in excess costs being carried in the suspense account.

(B) **Change in Accounting Method for the Alberta Petroleum Incentive Payments (APIPs)**

NUL's proposal to deduct APIPs from the related asset was denied by the Board. Edmonton's submissions that the proposal was inconsistent with the treatment of CIAC and that the accounting complexity argument adduced by NUL was not valid were accepted by the Board as grounds for denial of the proposed change in the accounting method.

(C) **Revenue Deficiencies Occurring Prior to the Date of the GRA**

In response to the IRI's submission that NUL be allowed to collect only the increase in revenues for that portion of the year subsequent to the date of filing of the GRA, the Board considered that the legislation in Alberta permits the Board, in its discretion, to allow recovery of all costs incurred during a test year.

(D) **Sale of Petroleum Rights, Wells and Equipment**

With respect to the sale by NUL to ATCOR Resources Limited, of property consisting of petroleum rights together with wells and equipment associated with the production of petroleum (as approved in Order E84091), the Board considered that there was insufficient evidence and argument presented in these proceedings to require a change in the treatment approved by the Board in Order E84091. However, NUL was directed to further address the adequacy of the treatment of the disposition of petroleum rights, wells and equipment.

(11) **Revenue Surplus/Deficiency**

Based on the determination in the Decision, the Board approved the collection of a revenue deficiency in the amount of $2,317,000 and $624,000 for the test years 1984 and 1985, respectively.

With respect to the calculation of the revenue surplus/deficiency for the period January 1, 1986 to the date of the proposed final rates, the Board considered it appropriate that NUL design such final rates to yield the 1985 approved revenue requirement adjusted for the elimination of the PGRT/FET amounting to $12,944,000. NUL was accordingly directed to file an appropriate rate rider to recover/refund the revenue deficiency/surplus for the period of time since January 1, 1986 that the revised final rates had not been in effect.

Order E87009 dated February 10, 1987 amended Decision E87002 by correcting certain errors and omissions noted by the Board in Decision E87002. These amendments related to changes to certain references and wording contained in the Summary of Board Directions and in the Order section of Decision E87002.

Phase II

In Phase II Decision E87024 dated April 14, 1987 the Board fixed as final NUL's rates, tolls and charges approved on an interim basis in Order E84141 dated November 2, 1984, Order E85024 dated February 5, 1985, Order E85071 dated June 5, 1985, Order E86074 dated October 6, 1986 and Order E86085 dated November 4, 1986. The Board also approved NUL's schedule of proposed final rates, tolls and charges which would recover on an annualized basis, the adjusted 1985 Utility Revenue Requirement determined by the Board in Phase I Decision E87002.

(1) **Cost of Service Study (COS)**

NUL did not file a COS study based on the approved Adjusted 1985 Utility Revenue Requirement. NUL submitted that to design rates based on the 1985 forecast sales and customers would not fairly represent the current (1987) situation. Further, NUL stated that it expected to file a 1987/1988 General Rate Application (GRA) and a COS study based on the 1988 forecast Utility Revenue Requirement which would more accurately represent current costs, sales and revenues.

(2) **Rate Design**

NUL proposed not to incorporate any rate design changes in its proposed final rates. NUL calculated the increase to be allocated to the 1985 existing rates by first deducting from its forecast 1985 Revenues at existing rates of $449,760,000 the Board's adjustments in Phase I Decision E87002 of $17,739,000. The resultant 1985 Adjusted Revenues at existing rates of $432,021,000 were then compared to the Board determined 1985 Adjusted Utility Revenue Requirement of $454,344,000 to obtain a shortfall for 1985 of $22,323,000. NUL proposed this shortfall be divided by total revenues that were subject to a rate increase of $353,032,000 to obtain an average

increase of 6.3%. NUL further proposed that each component of the existing rates, excluding FET, be allocated a 6.3% increase to determine a schedule of just and reasonable final rates that would recover the 1985 Adjusted Utility Revenue Requirement.

The Board accepted NUL's proposed rate design and directed that certain outstanding directions contained in the last Phase II Decision E84014 dated January 31, 1984 respecting NUL's 1982/1983 GRA be addressed in its forthcoming 1987/1988 GRA.

(3) **Deficiency Rider**

In Decision E87002, the Board determined NUL's 1984/1985 revenue shortfall to be $2,941,000. A 1986 revenue shortfall of $3,212,000 was calculated by NUL at the direction of the Board in Decision E87002. NUL proposed that the combined revenue deficiency of $6,153,000 be recovered through a deficiency rider to be effective on all consumption from May 1, 1987 to November 30, 1987. The Board accepted NUL's method of calculating the recovery of the rider which amounts to $0.004/GJ for Rate No. 10 and Edmonton Ethane Extraction Plant and $0.131/GJ for all other sales customers.

(4) **Pressure Surcharges**

The Industrial Rate Intervenors (IRIs) contended that the pressure surcharge was excessive and submitted that the Board order a reduction of about 50% in the current rate considering that the pressure surcharge was nearly double the agreed upon "proven costs". Further, the IRIs submitted that while high pressure revenues and throughput have increased, the unit price has remained fixed. NUL argued that its evidence put forth in the 1982/1983 GRA demonstrated the reasonableness of the surcharge. Further, guaranteeing higher pressures resulted in a loss of deliverability or capacity in the transmission system, loss of line pack and a loss of flexibility of operating the transmission system. These factors could not be precisely determined but were nonetheless factors that should be considered.

The Board considered that there had not been sufficient evidence adduced to justify a change in the surcharge and that the matter of pressure surcharge required further examination. Accordingly, NUL was directed to review all such surcharges at its next GRA and present evidence to demonstrate that the surcharges were just and reasonable.

(5) **Costs**

The Board, in Order E87027 dated April 14, 1987 approved for payment all of the fees and disbursements submitted by the Intervenors in the following amounts for the Phase I proceedings:

City of Red Deer	$101,162.82
Industrial Rate Intervenors	255,261.52
City of Edmonton	104,249.52
Total	$460,673.86

In Order E87030 dated April 14, 1987 the Board approved for payment all of the fees and disbursements submitted by the Intervenors in the following amounts for the Phase II proceedings:

City of Red Deer	$ 9,171.31
Industrial Rate Intervenors	20,060.59
City of Edmonton	2,431.00
Total	$31,662.90.

4.41 (a) RE84077/E4.14.24(1)(c)-2/Northwestern Utilities Limited

(b) For approval of amendments to certain of its Natural Gas Service Regulations.

(c) In Order E87013 dated April 14, 1987 the Board determined that the amendments proposed may not reflect current costs and that a new application was required.

4.42 (a) RE86051/E4.14.2/Northwestern Utilities Limited

(b) Complaint by Michael Lancaster respecting a billing dispute with Northwestern Utilities Limited (NUL).

(c) Interim Order E86075 dated November 14, 1986 required NUL to restore natural gas service to Mr. Lancaster's residence without reconnection or penalty charges pending a final decision and order of the Board.

By letter dated December 23, 1987 the parties were advised that as the complaint involved a dispute flowing from the contract of service between the utility company and its customer, the Board did not have jurisdiction to determine the matter.

Pending adjudication by the Courts, Interim Order E86075 remains in place to ensure that gas service is not disconnected to Mr. Lancaster's residence as a result of this dispute.

4.43 (a) RE86052/E4.14.35-49/Northwestern Utilities Limited

(b) Application by Amoco Canada Petroleum Company Ltd. (Amoco) for an Order or Orders of the Board:

> "requiring Northwestern Utilities Limited to provide to Amoco Canada Petroleum Company Ltd., a restrictive service transportation agreement for 171x10³m³/day of solution gas, at the rates specified in Rate 10 from the Receipt Points to the Delivery Point, pending the outcome of the Gas Transportation Inquiry which the Board has indicated will be held in the fall of 1986 to review the issue of short-term transportation contracts;".

(c) Interim Order E86065 dated September 29, 1986 ordered that Northwestern Utilities Limited (NUL) provide to Amoco restrictive transportation service at Rate 10 until such time as the Board had issued a policy order with respect to gas transportation and had given effect to that policy.

Order E87021 dated March 17, 1987 provided the written reasons for Order E86065. The Board found that Amoco had established special and urgent circumstances requiring an interim order pending the giving of effect of the Natural Gas Transportation Inquiry.

At a hearing in June 1987, to deal with gas transportation matters pursuant to Inquiry Report E86110 dated December 30, 1986, Amoco agreed to select the one, two, or three year short-term service. Final decision to give effect to the negotiated agreement was pending at year-end.

4.44 (a) RE86061/E4.14.35-50/Northwestern Utilities Limited

(b) For approval of a change in rates relating to the Town of Millet because of a change in the revenue tax rate.

(c) Approved/E87011 dated February 25, 1987.

4.45 (a) RE86066/E4.14.2/Northwestern Utilities Limited

(b) Complaint by Belfast Oils and James C. Crawford respecting rates, tolls and charges for carriage of gas by Northwestern Utilities Limited.

(c) Withdrawn by letter dated September 3, 1987.

4.46 (a) RE86102/E4.14.35-52/Northwestern Utilities Limited

(b) Application by Texaco Canada Resources for an Order requiring Northwestern Utilities Limited (NUL) to provide restrictive transportation service.

(c) At a hearing in June 1987, dealing with gas transportation matters pursuant to Inquiry Report E86110 dated December 30, 1986, Texaco Canada Resources agreed to select the one, two, or three year short-term service. Final decision to give effect to the negotiated agreement was pending at year-end.

4.47 (a) RE86106/E4.14.35-53/Northwestern Utilities Limited

(b) Application by Esso Resources Canada Limited for an Order requiring Northwestern Utilities Limited (NUL) to provide restrictive transportation service.

(c) At a hearing in June 1987, dealing with gas transportation matters pursuant to Inquiry Report E86110 dated December 30, 1986, Esso Resources Canada Limited agreed to select the one, two, or three year short-term service. Final decision to give effect to the negotiated agreement was pending at year-end.

4.48 (a) RE86107/E4.14.35-54/Northwestern Utilities Limited

(b) Application by Esso Resources Canada Limited for an Interim Order re: Northwestern Utilities Limited Rate No. 4.

(c) Held in abeyance at the request of the Applicant.

4.49 (a) RC87006/E4.14.35-56/Northwestern Utilities Limited

(b) Application by Husky Oil Operations Ltd. for an Order of the Board directing Northwestern Utilities Limited to provide transportation service.

(c) Following an informal advice and direction meeting with the Board, the parties negotiated a settlement and the application was consequently withdrawn by letter dated June 25, 1987.

4.50 (a) RE87006/E4.14.35-55/Northwestern Utilities Limited

(b) For an Order approving the refunding of over collections to Saskatchewan customers made under Rider "C" on non-rebateable sales of natural gas.

(c) Approved/E87014 dated February 25, 1987.

4.51 (a) RE87023/E4.14.35-57/Northwestern Utilities Limited

(b) For an Order of the Board approving a decrease in Rate Rider "C" (for non-rebateable sales, that is, sales not subject to rebate under the Natural Gas Rebates Act) to $0.000/GJ.

(c) Ex Parte Order E87032 dated April 22, 1987 approved a decrease in Rate Rider "C" to $0.000/GJ effective on consumption on and after May 1, 1987.

Northwestern Utilities Limited (NUL) submitted that its non-rebateable costs would be significantly less than the then approved Rate Rider "C". NUL also agreed that it would continue to file with the Board reconciliations of these non-rebateable costs with Rate Rider "C" revenues. The Board approved refunds or charges to affected customers based on these reconciliations. The Board considered that the foregoing sufficiently constituted a special circumstance and approved the ex parte application pursuant to Section 54 of the Public Utilities Board Act.

4.52 (a) RE87035/E4.14.35-58/Northwestern Utilities Limited

(b) Application by the University of Alberta for a declaration from the Board that it is a non-core customer of Northwestern Utilities Limited (NUL) or alternatively that it is entitled to seek its own transportation arrangements.

(c) Adjourned sine die pending the response of the provincial government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.53 (a) RE87042/E4.14.35-59/Northwestern Utilities Limited

(b) Application by Northridge Petroleum Marketing, Inc. for an Order from the Board directing Northwestern Utilities Limited (NUL) to provide transportation for gas supplied to the facilities owned by Canadian National in Edmonton.

(c) Adjourned sine die pending the response of the provincial government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.54 (a) RE87057/E4.14.35-64/Northwestern Utilities Limited

(b) Application by Canadian Forest Products Ltd. for an Order directing Northwestern Utilities Limited (NUL) to provide gas transportation service.

(c) Adjourned sine die pending the response of the provincial government to the Gas Supply and Transportation Service Inquiry Report E87128/87-C dated December 29, 1987. In process at year-end.

4.55 (a) RE87069/E4.14.24(1)(e)-27/Northwestern Utilities Limited

(b) For an Order approving the purposes of and authorizing the issue of 680,000 7.10% Cumulative Redeemable Second Preferred Shares Series N to Canadian Utilities Limited (CUL) to fund the sum of $17,000,000 received from CUL, to be used to redeem all outstanding 14.50% Second Preferred Shares Series G and to finance its continuing construction program.

(c) Approved/E87075 dated August 19, 1987.

4.56 (a) RE87105/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations in the cost of "non-rebateable" natural gas for the period January 1, 1986 to December 31, 1986.

(c) In process at year-end.

4.57 (a) RE87106/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations in the cost of "non-rebateable" natural gas for the period January 1, 1987 to April 30, 1987.

(c) In process at year-end.

4.58 (a) RE87115/E4.14.24(1)(e)-28/Northwestern Utilities Limited

(b) For an Order authorizing the issue and approving the purposes of the issue of a 12% Debenture 1987 Series in the principal amount of $40,000,000 to Canadian Utilities Limited.

(c) Approved/E87124 dated December 14, 1987.

4.59 (a) RE87119/E4.14.58/Northwestern Utilities Limited

(b) For approval to make adjustments in the total charges for natural gas service to certain "Special Contract and High Load Factor" customers arising out of fluctuations in the cost of "non-rebateable" natural gas for the period January 1, 1987 to September 30, 1987.

(c) In process at year-end.

4.60 (a) RE87124/E4.14.35-68/Northwestern Utilities Limited

(b) For approval of a change in rates relating to the Town of Slave Lake due to the fixing of a revenue tax rate.

(c) Order E87130 dated December 23, 1987 approved this application on an interim basis pending a full public hearing. In process at year-end.

4.61 (a) RE86101/E4.19.35-13/Tilley Gas Company Ltd.

(b) For an Order or Orders of the Board approving changes in rates and charges for gas supplied and services rendered by Tilley Gas Company Ltd. (the Company).

(c) **General**

Interim Order C86036 dated December 17, 1986 approved the Company's ex parte application for an interim refundable rate rider of $.50/Mcf effective December 17, 1986 on all gas consumption between December 1, 1986 and April 30, 1987.

Decision E87016 dated March 13, 1987 determined the rate base, fair return and utility revenue requirements for the test years 1986 and 1987. The results for 1986 for the Company were based on actuals.

Rate Base

The Board approved the Company's calculation of property, plant and equipment, including an amendment to revise evidence concerning assets which had originally been shown as disposed of, but which were still in service.

The Board amended the allowance for Necessary Working Capital by deducting several items which were shown under prepaid expenses, consisting mostly of insurance expenses. Adjustments to Cash Operating Expenses were incorporated into the Working Capital calculation through the one eighth rule in lieu of a lead-lag study. The Company's allowance for inventory was accepted.

Fair Return on Rate Base

The Board deemed a capital structure of 60% debt and 40% equity as being more fair to the Company and customers than the Company's actual capital structure.

In determining the rates to be used for this deemed structure, the Board chose 13% on debt, which was the rate on the Company's only loan, and 14.5% on equity, which was determined to be reasonable for an investment of equal risk to the Company.

Utility Revenue Requirement

The cash operating expenses submitted by the Company were adjusted by the Board in view of testimony at the hearing. Casual labour expenses for the 1986 test year were disallowed as there was no intention on the part of the Company to pay the amounts shown. Salaries were adjusted to the level in 1985 because the Board considered that the amounts forecast were too high given the Company's financial position. Bad debt expense was adjusted upwards from zero as the Board considered that the revised terms and conditions of service would not entirely eliminate this expense.

Noncash operating expenses were adjusted upwards by $1040 to account for the depreciation expense of the assets incorrectly shown as disposed of under property, plant and equipment.

The Board agreed with the Company's normalized consumption figures for 1986. The Company forecast a 3% volume reduction due to consumer response in 1987. The Board agreed with this reduced volume forecast and calculated from it the consumption revenues for the test years. The Board adjusted the revenues upwards by $2,000, as historically, the Company had received this as a minimum each year for line moves and other custom work.

Rates

The Board approved the Company's application to eliminate the separate rate charged farm customers. The Board also approved an increase in the Company's fixed charge from $5.00 per month to $10.00 per month.

Based on the Company's Revenue Requirement, the Board approved a rate of $1.72 per Mcf on gas consumed on or after March 1, 1987. Based on the revenue deficiency calculated for 1986 and the first two months of 1987, the Board approved a revenue deficiency rider of $.33 per Mcf on all gas consumption between March 1, 1987 and February 28, 1989.

Other Matters

Because of past experience with bad debts, the Company submitted revised Rules and Regulations which increased the customers' deposits from a maximum of $25.00 to a maximum of 30% of estimated consumption. The Board approved the revised Rules and Regulations.

SECTION 5: UTILITIES NOT OFFERING UTILITY SERVICES TO THE GENERAL PUBLIC

Data reported in order of registration number.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

5.01 (a) RC87009/C3.561.70.1(1)(b)/George Johnson and Pam Johnson

(b) For an Order declaring that the Applicant was not, for the purposes of the Public Utilities Board Act, an owner of a public utility.

(c) Approved/C87015 dated September 2, 1987.

5.02 (a) RC87028/C4.889.3(1)(b)/TransCanada PipeLines Limited

(b) For an Order of the Board declaring that the Applicant was not, for the purposes of the Public Utilities Board Act and the Gas Utilities Act, an owner of a public utility or an owner of a gas utility.

(c) Approved/C87028 dated November 13, 1987.

SECTION 6: MUNICIPALITIES

SECTION 6A: Applications by municipalities, pursuant to the Municipal Government Act, for approval to enter into supply and special franchise agreements or renewals or alterations thereof with owners of utilities. Where the municipality agrees to accept a percentage of the gross revenue of the franchise holder in lieu of taxing the special franchise and property of the holder used in the exercise of the franchise pursuant to the Municipal Taxation Act, the amount of such percentage is reflected.

Data reported in groups arranged alphabetically according to the name of the regulated utility to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ APPLICANT
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

6.01 (a) RE86062/E6.36.3/Town of Castor
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87003 dated February 4, 1987.

6.02 (a) RE86079/E6.193.3/Village of Consort
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87007 dated February 4, 1987.

6.03 (a) RE86086/E6.64.3/Town of High Prairie
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87004 dated February 4, 1987.

6.04 (a) RE86099/E6.117.3/Town of Vegreville
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87006 dated February 4, 1987.

6.05 (a) RE86100/E6.29.3/Town of Bonnyville
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87005 dated February 4, 1987.

6.06 (a) RE87003/E6.97.3/Town of Slave Lake
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87038 dated May 13, 1987.

6.07 (a) RE87005/E6.247.3/Village of Kinuso
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87060 dated July 22, 1987.

6.08 (a) RE87016/E6.220.3/Village of Gadsby
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87039 dated May 13, 1987.

6.09 (a) RE87019/E6.167.3/Village of Big Valley
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87037 dated May 13, 1987.

6.10 (a) RE87022/E6.6.3/City of Drumheller
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87058 dated July 22, 1987.

6.11 (a) RE87028/E6.98.3/Town of Smoky Lake
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87055 dated July 22, 1987.

6.12 (a) RE87029/E6.285.3/Village of Rycroft
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87064 dated July 22, 1987.

6.13 (a) RE87031/E6.84.3/Town of Oyen
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87057 dated July 22, 1987.

6.14 (a) RE87034/E6.207.3/Village of Eaglesham
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.
(c) Approved/E87056 dated July 22, 1987.

6.15 (a) RE87039/E6.200.3/Village of Delburne
(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) Approved/E87059 dated July 22, 1987.

6.16 (a) RE87050/E6.49.3/Town of Elk Point

(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) Approved/E87090 dated October 30, 1987.

6.17 (a) RE87078/E6.114.3/Town of Two Hills

(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) Approved/E87101 dated October 30, 1987.

6.18 (a) RE87083/E6.311.3/Village of Waskatenau

(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) Approved/E87102 dated October 30, 1987.

6.19 (a) RE87085/E6.258.3/Village of Marwayne

(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) Approved/E87099 dated October 30, 1987.

6.20 (a) RE87123/E6.57.3/Town of Grand Centre

(b) For approval to renew an electric power contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Alberta Power Limited/ based on an escalating percentage of gross revenue.

(c) In process at year-end.

6.21 (a) RE87066/E6.6.4/City of Drumheller

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for the period until November 15, 1989 and to enter into a revenue tax agreement/Big Country Gas Co-op Limited/at a rate of 4%.

(c) Order E87066 dated August 10, 1987 approved the application for the agreement which is only for those residents of the area annexed to the City of Drumheller on December 31, 1985 under Local Authorities Board Order 17234. Other residents are served by ICG Utilities (Alberta) Ltd.

6.22 (a) RC87005/E6.65.4/Town of High River

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C87009 dated May 27, 1987.

6.23 (a) RC87007/E6.252.4/Village of Linden

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 7 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/E87067 dated August 10, 1987.

6.24 (a) RC87012/E6.91.4/Town of Raymond

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C87012 dated August 19, 1987.

6.25 (a) RC87018/E6.295.4/Village of Stirling

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C87020 dated October 20, 1987.

6.26 (a) RC87021/E6.74.4/Town of Magrath

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C87021 dated October 20, 1987.

6.27 (a) RC87022/E6.34.4/Town of Cardston

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Canadian Western Natural Gas Company Limited/at a rate of 5.26%.

(c) Approved/C87022 dated October 20, 1987.

6.28 (a) RE87087/E6.49.4/Town of Elk Point

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to enter into a revenue tax agreement/Elk Point Gas, Ltd./at a rate of 5%.

(c) Approved/E87092 dated October 30, 1987.

6.29 (a) RE86041/E6.326.4/Summer Village of White Sands

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87076 dated September 2, 1987.

6.30 (a) RE86056/E6.279.4/Summer Village of Rochon Sands

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87018 dated March 11, 1987.

6.31 (a) RE86058/E6.23.4/Town of Barrhead

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 3.1%.

(c) Approved/E87017 dated March 11, 1987.

6.32 (a) RE86084/E6.256.4/Summer Village of Ma-Me-O Beach

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87019 dated March 11, 1987.

6.33 (a) RE87014/E6.6.4/City of Drumheller

(b) For approval to renew a gas supply contract and to confer a special franchise for the period until November 15, 1989 and to renew a revenue tax agreement/ICG Utilities (Alberta) Ltd./ at a rate of 4%.

(c) Order E87065 dated August 10, 1987 approved the application for the agreement which excludes those residents of the area annexed to the City of Drumheller on December 31, 1985 under Local Authorities Board Order 17234. These residents are served by Big Country Gas Co-op Limited.

6.34 (a) RE87025/E6.244.4/Summer Village of Island Lake

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87077 dated September 2, 1987.

6.35 (a) RE87071/E6.22.4/Town of Athabasca

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to enter into a revenue tax agreement/ICG Utilities (Alberta) Ltd./at a rate of 3%.

(c) Approved/E87078 dated September 2, 1987.

6.36 (a) RE87081/E6.472-1.4/Municipal District of Cypress No. 1 (Hamlet of Hilda)

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87106 dated December 16, 1987.

6.37 (a) RE87082/E6.472-2.4/Municipal District of Cypress No. 1 (Hamlet of Schuler)

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) Approved/E87107 dated December 16, 1987.

6.38 (a) RE87111/E6.277.4/Summer Village of Poplar Bay

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years/ICG Utilities (Alberta) Ltd.

(c) In process at year-end.

6.39 (a) RE86035/E6.108.4/Town of Sylvan Lake

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited.

(c) In process at year-end.

6.40 (a) RE86060/E6.259.4/Town of Millet

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited at a rate of 6.25%.

(c) Approved/E87010 dated February 25, 1987.

6.41 (a) RE87018/E6.71.4/Town of Lacombe

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E87103 dated December 16, 1987.

6.42 (a) RE87030/E6.72.4/Town of Lamont

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 5 years/ Northwestern Utilities Limited.

(c) Approved/E87061 dated July 22, 1987.

6.43 (a) RE87033/E6.19.4/City of Spruce Grove

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E87063 dated July 22, 1987.

6.44 (a) RE87040/E6.241.4/Village of Innisfree

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.25%.

(c) Approved/E87062 dated July 22, 1987.

6.45 (a) RE87049/E6.250.4/Village of Lavoy

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.25%.

(c) Approved/E87095 dated October 20, 1987.

6.46 (a) RE87060/E6.192.4/Village of Clyde

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E87097 dated December 16, 1987.

6.47 (a) RE87064/E6.214.4/Village of Evansburg

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited.

(c) In process at year-end.

6.48 (a) RE87079/E6.422.4/County of Strathcona No. 20 (Hamlet of Sherwood Park)

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/not to exceed 10%.

(c) Approved/E87121 dated December 1, 1987.

6.49 (a) RE87080/E6.62.4/Town of Hardisty

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Approved/E87094 dated October 20, 1987.

6.50 (a) RE87113/E6.305.4/Village of Veteran

(b) For approval to renew a natural gas supply contract and to confer a special franchise for a period not in excess of 10 years and to renew a revenue tax agreement/Northwestern Utilities Limited.

(c) In process at year-end.

6.51 (a) RE87118/E6.97.4/Town of Slave Lake

(b) For approval to enter into a natural gas supply contract and to confer a special franchise for a period not in excess of 20 years and to enter into a revenue tax agreement/Northwestern Utilities Limited/at a rate of 5.26%.

(c) Order E87129 dated December 23, 1987 approved this application on an ex parte interim basis pending publication of Notice and further hearing of the matter in early 1988.

6.52 (a) RC86030/E6.262.3/Village of Mirror
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87001 dated January 7, 1987.

6.53 (a) RC86036/E6.308.3/Village of Warburg
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87003 dated February 25, 1987.

6.54 (a) RC87001/E6.86.3/Town of Picture Butte
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87005 dated April 22, 1987.

6.55 (a) RC87003/E6.186.3/Village of Champion
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87006 dated April 22, 1987.

6.56 (a) RC87004/E6.24.3/Town of Bashaw
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87010 dated July 22, 1987.

6.57 (a) RC87014/E6.110.3/Town of Taber
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87016 dated September 2, 1987.

6.58 (a) RC87015/E6.422.3/County of Strathcona No. 20 on behalf of the Hamlet of Sherwood Park
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87026 dated October 20, 1987.

6.59 (a) RC87016/E6.22.3/Town of Athabasca
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87024 dated October 20, 1987.

6.60 (a) RC87017/E6.314.3/Village of Wildwood
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87025 dated October 20, 1987.

6.61 (a) RC87020/E6.214.3/Village of Evansburg
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87029 dated December 2, 1987.

6.62 (a) RC87026/E6.95.3/Town of Rocky Mountain House
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) Approved/C87030 dated December 2, 1987.

6.63 (a) RC87029/E6.47.3/Town of Eckville
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) In process at year-end.

6.64 (a) RC87031/E6.87.3/Town of Pincher Creek
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) In process at year-end.

6.65 (a) RC87032/E6.121.3/Town of Wainwright
(b) For approval to renew an electric power supply contract and to confer a special franchise for a period not in excess of 10 years/TransAlta Utilities Corporation.
(c) In process at year-end.

SECTION 6B: Applications by municipalities, pursuant to the Municipal Government Act, for approval to enter into contracts or renewals thereof, providing for the supply of light, power, natural gas, artificial gas or water to the municipality for the use of the municipal public utility.

Data reported in groups arranged alphabetically according to the name of the supplier. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ APPLICANT
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

6.66 (a) RE87063/E6.70.4/Town of Lac La Biche
(b) For approval to enter into an alteration of its natural gas supply contract/Bow Valley Industries Ltd.
(c) Approved/Ex Parte Decision E87053 dated July 8, 1987.

6.67 (a) RE87089/E6.64.4/Town of High Prairie
(b) For approval to enter into a natural gas supply contract/Bralorne Resources Limited and I.C.G. Resources Ltd.
(c) Approved/E87088 dated September 28, 1987.

6.68 (a) RE87017/E6.36.4/Town of Castor
(b) For approval to enter into an alteration of a natural gas supply contract/Sulpetro Limited.
(c) Approved/Ex parte Order E87041 dated May 25, 1987.

6.69 (a) RC87010/E6.9.3/City of Lethbridge
(b) For approval to renew an electric power supply contract/ TransAlta Utilities Corporation.
(c) Approved/C87011 dated September 2, 1987.

6.70 (a) RC87030/E6.34.3/Town of Cardston
(b) For approval to renew an electric power supply contract/ TransAlta Utilities Corporation.

(c) In process at year-end.

6.71 (a) RE87044/E6.43.4/Town of Daysland

(b) For approval to enter into a natural gas supply contract/Voyager Energy Company.

(c) Approved/E87070 dated July 22, 1987.

6.72 (a) RE87074/E6.69.4/Town of Killam

(b) For approval to enter into a natural gas supply contract/Voyager Energy Company.

(c) Approved/E87104 dated November 2, 1987.

6.73 (a) RE87075/E6.96.4/Town of Sedgewick

(b) For approval to enter into a natural gas supply contract/Voyager Energy Company.

(c) Approved/E87105 dated November 2, 1987.

SECTION 6C: Applications by the Minister of Municipal Affairs, pursuant to the Improvement Districts Act and the Special Areas Act, for approval to enter into contracts with utilities undertaking to provide street lighting in a hamlet situated in an improvement district or special area, or with utilities to supply light, power, gas, natural gas, water or a sewerage system to persons resident in the improvement district or special area or in any specified part or parts thereof.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ APPLICANT
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

There were no applications in this category before the Board in 1987.

SECTION 6D: Applications by users of public utilities, pursuant to the Municipal Government Act, to appeal the rates, tolls or charges of a municipally-owned utility.

Data reported in groups arranged alphabetically according to the name of the municipality to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ APPLICANT
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

6.74 (a) RE87026/E6.32.5/Town of Calmar Water Utility

(b) Complaint by Mike Hayduk pursuant to Section 291 of the Municipal Government Act alleging that the Town of Calmar had imposed discriminatory charges respecting water service.

(c) In Decision E87114 dated November 6, 1987 the Board held that the residential minimum bimonthly charge for water service as determined on a per suite basis in a twelve unit apartment complex was discriminatory and the charge was disallowed. The Board ordered that the residential minimum bimonthly charge for water service be determined on a per meter basis as in the case for industrial and commercial properties.

6.75 (a) RC86026/E6.34.2/Town of Cardston Electric System

(b) Complaint from Keith Russell alleging improper billing practices.

(c) The complaint was found to be beyond the Board's jurisdiction and was a matter to be dealt with by the civil courts.

6.76 (a) RE87027/E6.251.2/Village of Legal

(b) Complaint by Roger Holton pursuant to Section 291 of the Municipal Government Act alleging that the Village of Legal (the Village) had improperly imposed charges respecting water service.

(c) Decision E87049 dated June 30, 1987 upheld the Complainant's position and disallowed charges in the amount of $179.14. These charges consisted of water service arrears of two previous tenants of the property owned by Mr. Holton. The Board disagreed with the Village's contention that it was empowered by Section 288 of the Municipal Government Act and by its By-law No. 493 to disconnect service to a property owner for debts incurred by his tenant. The Board considered that Section 309(2) of the Municipal Government Act, being the more specific section, would prevail in the circumstances. This section specifies that when the occupant to whom the utility has been supplied is not the owner of the property, that any resulting debt is due by him and is a preferential lien and charge on his personal property. The Board further pointed to case law indicating that utility debts are personal debts which do not flow with the property. The Board therefore concluded that the Village was not entitled to collect the arrears from Mr. Holton, as he was not the actual consumer to whom the services were provided.

6.77 (a) RE87112/E6.286.2/Village of Ryley

(b) Complaint by Mr. and Mrs. Ermil Young, et al., pursuant to Section 291 of the Municipal Government Act alleging that the Village of Ryley had improperly imposed charges respecting water, sewer and garbage service.

(c) In process at year-end.

SECTION 6E: Applications for approval or consent for actions other than those described in Sections 6A through 6D.

Data reported in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ MUNICIPALITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

6.78 (a) RE87037/E6.194.4/Village of Coutts

(b) For approval of the termination of a special franchise with Border Utilities Ltd. and fixing the price and terms of purchase.

(c) At year-end the Board was awaiting further information from the Applicant.

6.79 (a) RE87038/E6.194.3/Village of Coutts

(b) For approval of the termination of a special franchise with Southern Utilities Company Limited and fixing the price and terms of purchase.

(c) At year-end the Board was awaiting further information from the Applicant.

6.80 (a) RE87107/E6.413.8/Mountain View Ambulance Service

(b) For compensation from the Town of Olds pursuant to Section 169(6) of the Municipal Government Act.

(c) Adjourned at the request of the Applicant.

SECTION 7: COMPLAINTS UNDER THE NOVA CORPORATION OF ALBERTA ACT

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
ITEM **(b) SUBJECT MATTER**
NUMBER **(c) DISPOSITION/REFERENCE**

There were no applications in this category before the Board in 1987.

SECTION 8: APPEALS UNDER THE NATURAL GAS PRICING AGREEMENT ACT

Data reported in groups arranged alphabetically according to the name of the appellant. Individual appeals within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ APPELLANT
ITEM **(b) SUBJECT MATTER**
NUMBER **(c) DISPOSITION/REFERENCE**

8.01 (a) RE87012/E4.510.88-1/Alberta and Southern Gas Co. Ltd.

(b) Appeal dated March 5, 1987 from a determination of the Alberta Petroleum Marketing Commission (the APMC) of the Alberta cost of service (the ACOS) for Alberta and Southern Gas Co. Ltd. for the month of July, 1986.

(c) The matter in issue was whether the APMC exceeded its jurisdiction by adjusting, retroactive to January, 1982, the allocation of fixed assets between Alberta and Southern Gas Co. Ltd. and a related company, Alberta Natural Gas Company Ltd. (ANG).

In Decision E87069 dated July 27, 1987 the Board referred the matter back to the APMC directing the Commission to make a new determination for the month of July, 1986 excluding ANG's allocated share of assets from rate base for the period January, 1982 to June, 1985.

The Board considered that where there was no explicit statutory power to rescind, amend or review a prior ACOS determination, the APMC should only do so in cases of fraud, misrepresentation or other material matters which would go to the root of the determination. In the opinion of the Board, no such circumstances existed in this case.

8.02 (a) RE85048/E4.302.88-2/Amoco Canada Petroleum Company Ltd.

(b) Appeal from a determination of the Alberta Petroleum Marketing Commission of the Alberta Cost of Service for TransCanada PipeLines Limited for the month of December 1984.

(c) Adjourned sine die at the request of the Appellant and the Intervenor.

8.03 (a) RC86031/E4.1835.88-1/Dynamar Energy Ltd.

(b) Appeal from a decision of the Alberta Petroleum Marketing Commission (APMC) respecting a determination of the Alberta cost of service (ACOS) for TransCanada PipeLines Limited (TCPL) for the months of November, 1983 to January, 1986.

(c) Appeal dismissed by Decision E87020 dated April 30, 1987.

The issue for determination in the appeal was whether the effective date for characterization of Dynamar Energy Ltd.'s (Dynamar) Gas Purchase Contract in the D1 category of the multi-tiered Alberta cost of service was to take effect on January, 1986, or at some earlier date.

The Board considered that it had no jurisdiction to deal with an appeal unless the appellant has first filed a Statement of Objection with the APMC in accordance with Section 6 of the regulations to the Natural Gas Pricing Agreement Act.

Section 6 specifies that a Statement of Objection must be filed with the APMC within 60 days from the date of the determination of the ACOS. As Dynamar had not complied with this requirement, the Board found that the appeal of Dynamar could not be effective with respect to ACOS determination for TCPL for any period prior to January, 1986.

Dynamar argued that the decision in the Cabre-Petromark proceedings (Decision E85032) empowered the APMC to grant effective relief not only to the contract considered in that decision but for all other gas contracts of a similar nature.

The Board held that a careful reading of Decision E85032 did not support Dynamar's conclusion.

8.04 (a) RC78042/E4.707.88-1/Husky Oil Operations Ltd.

(b) Appeal on behalf of the Savanna Creek Producers from a decision of the Alberta Petroleum Marketing Commission dated November 23, 1977 respecting processing costs of gas through the Saratoga Processing plant.

(c) Withdrawn/April 15, 1987.

8.05 (a) RC78107/E4.707.88-2/Husky Oil Operations Ltd.

(b) Appeal on behalf of the Savanna Creek Producers from a decision of the Alberta Petroleum Marketing Commission Determination 78-6 (WCT) dated May 5, 1978 respecting processing costs of gas through the Saratoga gas plant.

(c) Withdrawn/April 15, 1987.

8.06 (a) RC80256/RC80415/E4.707.88-5/E4.707.88-6/Husky Oil Operations Ltd.

(b) Appeals from decisions of the Alberta Petroleum Marketing Commission (the APMC) respecting determinations of the Alberta Cost of Service for Westcoast Transmission Company Limited (Westcoast) for the month of February, 1980 and for the months of September, 1977 to January 1980, respectively.

(c) Decision E87113 dated October 30, 1987 allowed the appeals. The Board agreed with Husky Oil Operations Ltd. (Husky)

that Section 2 of the Natural Gas Pricing Agreement Act should be interpreted as meaning a net cost of service. The Board noted that Husky was responsible for paying to make its gas marketable by the removal of sulphur, therefore, Husky should receive the benefit of the sulphur revenue that the gas produced.

8.07 (a) RE81024/E4.2052.88-1/ICG Exploration Ltd.

(b) Appeal from a decision of the Alberta Petroleum Marketing Commission dated January 23, 1981 respecting transportation charges.

(c) Withdrawn/April 15, 1987.

8.08 (a) RE86059/E4.998.88-1/Petrogas Processing Ltd.

(b) Appeal from a decision of the Alberta Petroleum Marketing Commission respecting a determination of the Alberta Cost of Service for Westcoast Transmission Company Limited for the months of April and May, 1986.

(c) Withdrawn/January 6, 1987.

8.09 (a) RE81116/E4.848.6-3/Saratoga Processing Limited

(b) For an Order of the Board fixing the rates, tolls and charges for the processing of gas in the Coleman Gas Plant, near Coleman, Alberta.

(c) Withdrawn/April 30, 1987.

8.10 (a) RE87001/E4.848.6-2 R.V./Saratoga Processing Company Limited

(b) Application by Petrogas Processing Ltd. for a review and variance of Board Order E80108 as amended by Board Order E82123.

(c) Withdrawn/March 27, 1987.

8.11 (a) RE87122/E4.317.10/Shell Canada Limited

(b) For an Order pursuant to Section 10 of the Gas Utilities Act and Section 56 of the Public Utilities Board Act to rescind, vary or replace Order 24322 dated December 3, 1959 (Jumping Pound).

(c) In process at year-end.

8.12 (a) RC84469/E4.1275.88-1/Signalta Resources Limited

(b) In a Judgment dated August 21, 1987 the Court of Appeal referred Decision E85033 dated March 4, 1985 back to the Board for redetermination with respect to the Alberta cost of service for Signalta Resources Limited (Signalta).

(c) In Order E87091 dated October 2, 1987, the Board ordered that the appeal of Signalta, from Determination 84-15 made by the APMC, be granted in accordance with the Judgment of the Court. The Board referred the matter back to the APMC for redetermination and recalculation of the Alberta cost of service of Signalta for the relevant months from and including December 1983.

8.13 (a) RC86038/C4.889.88-3/TransCanada PipeLines Limited

(b) Appeal from a determination of the Alberta Petroleum Commission (APMC) of the Alberta cost of service for TransCanada PipeLines Limited (TCPL) for the month of September, 1986. The matter in issue was whether the APMC erred in directing TCPL to calculate income taxes in the Alberta cost of service on an 'Alberta only corporate tax rate' as opposed to a 'blended corporate tax rate' for the period commencing January 1, 1984.

(c) Decision E87040 dated June 3, 1987 varied the APMC determination and ordered that the appropriate income tax rate to be used by TCPL in the Alberta cost of service was TCPL's blended corporate tax rate.

8.14 (a) RC86041/E4.916.88-1/Westcoast Transmission Company Limited

(b) Appeal dated December 22, 1986 from a determination of the Alberta Petroleum Marketing Commission (the APMC) of the Alberta Cost of Service (the ACOS) for Westcoast Transmission Company Limited (Westcoast) for the month of August, 1986. The matter in issue was whether the APMC had erred by failing to include in the ACOS legal fees resulting from litigation commenced by Petrogas Processing Ltd. against Westcoast.

(c) In Decision E87054 dated August 17, 1987, the Board denied Westcoast's appeal and affirmed the Determination of the APMC for the month of August, 1986. The Board stated that the prospect of an unsuccessful litigant being forced to bear the costs incurred by his opponent, in whole or in part, was often a strong incentive to the parties to resolve their differences. If one litigant were to be absolved from responsibility for payment of these costs, regardless of the outcome of the litigation, it appeared to the Board that the parties would be placed in an unequal position insofar as conduct of the litigation is concerned.

In the opinion of the Board it was appropriate that the responsibility of the litigants for the cost of the litigation should be resolved either by agreement between the parties or by the courts who ordinarily have jurisdiction to determine the incidence of such costs and their appropriate level.

In view of the Board's findings on the substantive issue as set out in Decision E87054, Petrogas withdrew its application respecting production of documents by letter to the Board dated August 24, 1987.

8.15 (a) RC87002/C4.916.88-2/Westcoast Transmission Company Limited

(b) Appeal from a determination of the Alberta Petroleum Marketing Commission of the Alberta Cost of Service for Westcoast Transmission Company Limited for the month of September, 1986.

(c) In view of Decision E87054 dated August 17, 1987 the Appellant requested that the appeal from the determination for the month of September, 1986 be withdrawn.

SECTION 9: MILK PRICING

Data reported in groups arranged alphabetically according to the name of the regulated entity to which the application refers. Individual applications within each group are then arranged in order of registration number.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

9.01 (a) RE87073/E8.4.11-13 W.R./Canadian Federation of Independent Grocers, The Calgary Co-operative Association, Horne & Pitfield Foods Ltd., Alberta Grocers Wholesale Ltd. and Western Grocers Division of Westfair Foods Limited

(b) For approval to increase the retail minimum prices of fluid milk, cream and other dairy products.

(c) Decision was pending at year-end.

9.02 (a) RE87121/E8.4.11-15/Central Alberta Dairy Pool

(b) For approval of a new price for 28 ml size 18% Creamers in 120 unit containers.

(c) Decision was pending at year-end.

9.03 (a) RE87117/E8.4.11-14 P.D./Lucerne Foods Ltd.

(b) For approval of new prices for Skim Milk and Homo Milk in 250 ml containers.

(c) Order E87119 dated November 27, 1987 approved the application on an interim basis subject to review at the hearing of the General Rate Application dated July 10, 1987 by Palm Dairies Limited, Northern Alberta Dairy Pool and Alpha Milk Company, which application was currently before the Board. Decision was pending at year-end.

9.04 (a) RE87043/E8.4.4-10/Milk Producers as per report from the Department of Agriculture, Production Economics Branch

(b) The Board, proceeding on its own motion pursuant to Section 12 of the Dairy Board Act, to decrease the minimum producer price of Class 1 milk by $0.98 per hectolitre and the minimum wholesale and minimum retail prices by 1 cent per litre, effective June 15, 1987, consequent upon a decrease in the producer price formula as monitored by the Department of Agriculture.

(c) Approved/E87045 dated May 29, 1987 as amended by Order E87084 dated September 11, 1987.

9.05 (a) RE87086/E8.4.4-11/Milk Producers as per report from the Department of Agriculture, Production Economics Branch

(b) The Board, proceeding on its own motion pursuant to Section 12 of the Dairy Board Act, to increase the minimum producer price of Class 1 milk by $0.98 per hectolitre and the minimum wholesale and minimum retail prices by 1 cent per litre, effective September 14, 1987, consequent upon an increase in the producer price formula as monitored by the Department of Agriculture.

(c) By Order E87082 dated September 1, 1987, the Board approved the increases in the minimum producer price and the minimum wholesale retail prices, effective September 14, 1987. By amending Order E87085 dated September 11, 1987, the Board amended the prices approved in E87082 to reflect the change in the definition of controlled areas pursuant to Order-in-Council 562/87 dated September 3, 1987.

9.06 (a) RE87072/E8.4.11-12 (P.D.)/Palm Dairies Limited/Northern Alberta Dairy Pool Ltd./Central Alberta Dairy Pool

(b) For approval to increase the retail and wholesale minimum prices of fluid milk, cream and other dairy products.

(c) By Order E87127 dated December 23, 1987, the Board approved a one cent per litre interim increase in the minimum wholesale price of fluid milk and fluid milk products, effective January 1, 1988. This increase in the minimum wholesale price results in a corresponding increase in the minimum retail price for fluid milk and fluid milk products prescribed by the Board.

The interim increase was granted principally to compensate the Processors/Distributors for reductions in revenues and increased costs resulting from the recent legislative change which included the entire Province of Alberta as a controlled area and thereby mandated uniform fluid milk prices throughout the province. Decision was pending at year-end.

SECTION 10: OTHER MATTERS

Data reported in groups arranged alphabetically according to the name of the regulated entity to which the application refers. Individual applications within each group are then arranged in order of registration number.

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

ITEM NUMBER

10.01 (a) RE86028/E3.5.5/85; E6.6.5/85; E3.16.5/85; E3.6.5/85 (Costs)/ Alberta Power Limited, Edmonton Power, TransAlta Utilities Corporation

(b) For an Order adjusting the price or pricing formula applicable to sales by the applicants of electric energy to the Electric Energy Marketing Agency (EEMA) for 1985.

(c) (1) **General**

Decision E87001 dated February 10, 1987 provided the reasons for the adjustments made by the Board for 1985 in Order E86100, which was issued with reasons to follow. The decision also provided directions to the utilities in respect of future EEMA filings.

Pursuant to a resolution of the Board dated June 18, 1986 the Board appointed a staff committee to visit each utility to inquire into the Section 17.2(1) filings of the three owners. The purpose of the Inquiry and Report, which was made entirely independent of the division of the Board hearing the application, was to provide a means of making the hearing process more efficient by reviewing and analyzing in detail the filings of the three owners. The Inquiry Report was tabled as an exhibit at the hearing and the staff committee was called as a panel to respond to questions from the participants and the Board.

The decision addressed the following matters: the nature of the EEMA adjustment process; the appropriateness of the Section 17.2 (actual) costs and demand/energy load components filed by the utilities; the methods used by the utilities to functionalize costs upstream/downstream and to allocate costs to demand/energy and consumer group; as well as the inter-utility consistency of the filings. The following discusses the areas where the Board considered that adjustments to actual dollar amounts were warranted.

(2) **Nature of the Adjustment Process**

Having regard to the EEM Act and Regulations, the Board concluded that the actual data forms the starting point for its determination of cost, total energy and total demand. Although an important factor, the Board did not consider actual data to be the sole criterion. The actual filed results are to be modified or amended by the Board as considered appropriate and in keeping with generally accepted regulatory principles and practice.

(3) **Total Utility Cost**

(A) **Alberta Power Limited**

With respect to the rate base filed by Alberta Power Limited (APL) the Board made the following amendments to reflect the removal of Sheerness housing ($3,052,564) which was not considered used or required to be used in 1985, and the removal of excessive fuel inventory at the Milner plant ($2,333,000) from NWC consistent with the Board's treatment in E85144.

The cash operating expenses of APL were reduced to reflect the disallowance of O&M expenses deferred from 1984 ($1,000,000), and the disallowance of accrued reserve sharing payments ($837,000) which were not matched by the corresponding receipts of the other two utilities due to the Alberta Integrated System (AIS) Agreement not having been executed. Such expenses will be allowed in the year in which the payments are actually made.

APL was required to treat as revenue offsets, the revenue gained from the special facilities charges (Rate 33(b) and Rider E) levied against Syncrude and Suncor. The Board considered that such charges were required in order to build the additional facilities needed to service these customers, and that the full cost of these facilities should be offset by the revenues provided by Rate 33(b) and Rider E.

(B) **Edmonton Power**

The Board reduced the operating expense component of Edmonton Power's (EP) NWC ($3,982,775) to reflect removal of income tax rebated in respect of unit power agreements from the calculation of revenue lag. Such treatment provided consistency in the calculation of revenue lag among the three utilities.

The Board reduced EP's return on rate base common equity ($69,648) to reflect a reduction in the rate of return from 15% as recorded by EP to 14.75%. EP submitted rate of return evidence which determined a return on equity of 15.5-16% on a prospective basis. The concerns of the Intervenors focused primarily on the treatment of EP on a stand alone basis.

Thus, while the Board, in accordance with previous decisions, considered EP on a stand alone basis for the purposes of this decision, a direction was issued requiring EP at the next adjustment hearing to submit a rate of return study that reflected the relationship of EP to the City of Edmonton.

(C) **TransAlta Utilities Corporation**

The Board adjusted TransAlta's cash operating expenses ($23,750) to reflect the disallowance of brushing expenses deferred from 1984. While the amount is small, the Board considered the principle of excluding from actual costs any expenses disallowed in a GRA to be of overriding concern.

(4) **Demand/Energy Loads at the Interface**

Alberta Power Limited

The Board amended APL's consumer group costs to reflect an allocation of demand related costs at the utility level based on the non coincident peak (NCP) of each utility rather than on the peak responsibility (PR) [i.e. the contribution made at the time of the AIS peak] as requested by APL. While the Board considered the PR method to be appropriate, especially in view of the dependence in AIS planning on the coincident AIS peak, the Board did not consider that APL had sufficiently demonstrated that peak shaving, which allowed APL to achieve diversity, had been suitably factored into the AIS forecast. Provided sufficient evidence can be filed, the Board was prepared to accept the use of the PR method in future EEMA adjustment hearings.

The Board amended APL's consumer group costs to reflect inclusion of the Canterra load at the interface. APL argued that the special circumstances of the contract with Canterra conferred a "non EEMA" status upon this load, thereby exempting it from inclusion at the interface. APL also pointed out that the revenue related to providing service to Canterra was used to offset the associated costs. The Board was persuaded that facilities additional to those at the Rainbow Lake plant were required to supply the load, and therefore considered that inclusion of the Canterra load was necessary in order to effect an equitable cost sharing of the additional facilities. To further reflect the treatment of Canterra as an ordinary customer, the revenue received from Canterra under Rate 36 was removed as a revenue offset.

(5) **Other Matters**

In a number of instances the Board accepted the treatment accorded a particular cost by the utility for the purposes of the decision, but directed the utility to file the material in accordance with the Board preferred method at the time of the next EEMA adjustment hearing.

Decision E87026 dated April 6, 1987 approved the level of Intervenors' costs and applicants' external costs and ordered each of the applicants to pay a one third share of each Intervenor's costs and to pay its own external costs.

By majority decision, the external costs of the Board were considered to form part of the costs of the EEMA Adjustment proceeding and as such, each of the owners was ordered to pay a one third share of those costs.

Board Member Paisley who dissented, in part, agreed with the majority as to the disposition of the Intervenors' costs and the owners' external costs, but considered that the Board's external costs ought not to be assessed against the owners in this case, because in his view, adequate notice had not been given to the affected parties nor had those parties been given a reasonable opportunity of providing evidence and presenting argument on the matter.

10.02 (a) RE87032/E3.5.5/86; E3.6.5/86; E3.16.5/86; /Alberta Power Limited, Edmonton Power and TransAlta Utilities Corporation

(b) For an Order adjusting the price or pricing formula applicable to sales by the applicants of electric energy to the Electric Energy Marketing Agency (EEMA) for 1986.

(c) (1) **General**

By Decision E87100 dated December 18, 1987, the Board adjusted the price or pricing formula to sell electric energy to EEMA, for 1986. The issues of note in Decision E87100 are set out below.

(2) **Total Utility Cost**

(A) **APL-H. R. Milner Coal Inventory**

The Board reduced APL's coal costs by $782,000 to be consistent with an adjustment to H. R. Milner coal inventory made by APL in conformance with Decision E87025 which limited the aforementioned inventory to 12 months of supplies.

(B) **EP-Components of Necessary Working Capital (NWC)**

The Board explicitly recognized financial items (debt interest, equity return) and & non-cash items in the calculation of NWC using the lead/lag approach.

(C) **EP-Rate of Return**

The Board considered it appropriate to regard EP on a stand alone basis for determination of cost of capital, subject to consideration of the impact of the cost or benefit of EP's debt financing by the City of Edmonton. The Board noted that no evidence respecting the impact of the cost or benefit of EP's debt financing by the City was provided. Accordingly, the Board was not persuaded that EP's suggested increased financial risk should be a factor in determining the opportunity cost rate of equity funds. The Board approved a fair rate of return on upstream rate base common equity of 14.25% for 1986. In awarding the foregoing rate of return the Board recognized increased risk due to the Genesee project but gave no weight to Intervenors' argument that a lower rate was appropriate since actual total utility costs are known for 1986.

(D) **EP-Central Administration Charges**

The Board expressed concern respecting the method used by EP to determine central administration charges to EP from the City of Edmonton and directed EP to include only those charges used and caused by EP's upstream operations. EP was also directed to provide historical data showing the relationship between the City of Edmonton's forecast central administration charges, on which the actual charges to EP are based and the City's actual charges.

(E) **EP-Capitalization of Overhead Expense**

The Board expressed concern that EP's overhead capitalization policy was inconsistent with that of APL and TransAlta and directed EP to address this matter before the next adjustment filing.

(F) **EP-Depreciation**

The Board directed EP to address the progress made in rectifying plant accounting deficiencies and to provide evidence that the recorded depreciation expense is reasonable, at the next EEMA adjustment hearing.

(3) **Functionalization**

(A) **All Utilities-Rate Hearing Costs**

The Board considered that rate hearing costs related to the EEMA adjustment proceedings should be assigned upstream.

(B) **All Utilities-Distribution Plant**

The Board directed that for the purpose of functionalizing distribution plant, the demand at the interface rather than demand at the generator should be used.

(C) **EP-Method of Functionalizing General and Administration (G&A) Expense**

The Board considered that all utilities' G&A expenses should be functionalized on the basis of all service costs (excluding G&A expenses) and net of all revenue offsets excluding power sales among EEMA utilities.

(D) **TransAlta-Coal Rights in the Functionalization of T&G Plant**

The Board concurred with TransAlta that it is appropriate to include coal rights in the sub-total of gross plant used to functionalize and allocate Telecontrol and General (T&G) Plant.

(4) **Classification of Upstream Costs to Demand and Energy Components**

(A) **Production Plant Costs**

Several alternative methods of classifying production plant fixed costs were presented at the hearing. The Board considered it inappropriate, in the face of one system planning and operation, to adopt a classification method that relies on theoretical planning and operation by consumer group or by utility to arrive at a theoretical mix and sequence of meeting generating capacity. The Board considered that the peak demands of the total AIS load cause fixed costs associated with capacity additions and the energy requirement of the total AIS load cause variable costs associated with fuel and other variable costs. Accordingly, the Board considered the existing modified fixed variable method, whereby production plant fixed costs (with a few exceptions) are considered demand related, to be more consistent with the planning process and therefore with cost causation.

(B) **Transmission Plant Costs**

With respect to transmission plant costs, the Board considered that the transmission system is planned and sized for maximum load and it is consistent with the planning process and cost causation to classify transmission plant costs as demand related.

The Board therefore accepted the utilities' filings respecting classification of production and transmission plant costs.

(5) **Allocation to Consumer Group**

(A) **Demand Cost Allocation to Consumer Groups**

The Board considered that the coincident peak (CP) method which relies upon one single monthly peak,

to no longer be the method that best reflects cost causation. The Board was persuaded that the 12CP method (using 12 monthly coincident peaks) is more consistent with the planning process and cost causation than any of the other methods presented during the proceedings. The Board considered that it should require the utilities to move towards the 12CP method in order to improve the equitability of the allocation of demand related costs to consumer groups by more accurately reflecting cost causation. The Board considered that such a move should reflect the heavy weighting of loss of load expectation in December and January. Accordingly, the Board considered this can be accomplished by heavily weighting the single CP demand for December.

For purposes of this Decision therefore, the Board determined demand at the interfaces by taking 75% of the single CP demand and 25% of the estimated 12CP demand.

The Board agreed with APL, TransAlta and other parties that further study is needed to refine the 12CP method and directed the utilities accordingly.

(B) **Determination of Peak Demand of Each Utility**

The Board considered that demand (whether it be CP or 12CP) as measured at the time of the AIS peak is more consistent with the planning process and cost causation. Therefore, the Board adjusted the peak demand used by EP accordingly.

(C) **Determination of Time of Occurrence of Peak Demand**

The Board agreed with APL and REA/AAMDC that the determination of the time of occurrence of the AIS monthly peak should be derived considering production level demand rather than interface demand as the former is more consistent with the planning process and cost causation.

(D) **Class II Interruptible and Peak Shaving Loads**

The Board considered that to the extent no capacity is planned on the AIS for Class II interruptible and peak shaving demands there are no demand costs associated with those items and it would therefore be appropriate to exclude those demands, from demands at the interface.

The Board considered that there was no evidence that 35.8MW related to the City of Calgary's interruptible demand was recognized in the AIS capacity planning process. Accordingly, the Board added back the 35.8 MW to TransAlta's demand at the interface.

(E) **Company Use Load**

The Board considered that inclusion of company use load as part of industrial consumer group demand and energy at the interface would result in the residential and general service consumer groups not sharing a component of generation costs. Accordingly, the Board reaffirmed its position stated in Decision E87048 that Company use load should be excluded from demand and energy at the interface.

(F) **APL-Treatment of the Canterra Load**

The Board considered that Canterra makes use of upstream facilities additional to those leased by Canterra and therefore to avoid any misallocation of costs the Canterra demand should be included in demand at the interface. The Board adjusted APL's filing accordingly.

With respect to Canterra energy, the Board considered that not all costs (principally gas costs) related to the energy supply to Canterra were included in APL's upstream costs. Accordingly, inclusion of the Canterra energy in energy at the interface would result in a misallocation of energy costs and should therefore be excluded from energy at the interface.

(G) **TransAlta-Load Factors Relative to Wholesale Customers**

The Board directed TransAlta to carry out appropriate reasonableness checks with respect to information on load factors provided by wholesale customers.

(H) **Hearing Costs**

Hearing costs are to be determined in 1988.

10.03 (a) RE87010/E7.37.2/Coronado Gas Co-op Ltd.

(b) Complaint by Gunter M. Hohn pursuant to Section 37(2) of the Rural Gas Act respecting the Co-op's refusal to provide natural gas service to certain lots within Lost Point Lake Estates.

(c) By letter dated May 29, 1987, the Board advised Mr. Hohn that it could only deal with this issue if the Courts were to refer the matter to the Board. Having reviewed the relevant correspondence and documentation, the Board concluded that the lands in question were owned by Berolina Development Ltd., who had brought this dispute before the Courts.

10.04 (a) RE87109/E3.16.3/88/Edmonton Power

(b) The Board proceeding pursuant to the Electric Energy Marketing Act to set the price or pricing formula in respect of each consumer group at which Edmonton Power shall sell electric energy to the Electric Energy Marketing Agency during 1988.

(c) Approved/E87111 dated October 30, 1987.

SECTION 11: ENERGY RESOURCES CONSERVATION BOARD APPLICATIONS

(Applications to which a Member of the Board was Assigned as an Acting Member of the E.R.C.B.)

ITEM NUMBER — APPLICATION PARTICULARS
(a) FILE NUMBER/REGULATED ENTITY
(b) SUBJECT MATTER
(c) DISPOSITION/REFERENCE

11.01 (a) ERCB 871411/E8.5.16-6/Southview Fibre Tech Ltd.

(b) For approval to operate and interconnect an electric generating plant with TransAlta Utilities Corporation and establish the basis for determining the price of power to be sold to TransAlta Utilities Corporation.

(c) Hearing was adjourned sine die on October 19, 1987 at the request of the Applicant. Hearing will reconvene in early 1988.

APPENDIX 1

SECTION 12: GAS UTILITIES BOARD APPLICATIONS

(Applications to which a Member of the Board was Assigned as a Member of the G.U.B.)

ITEM NUMBER	APPLICATION PARTICULARS (a) REGISTRATION NUMBER/FILE NUMBER/ REGULATED ENTITY (b) SUBJECT MATTER (c) DISPOSITION/REFERENCE

There were no applications in this category before the G.U.B. in 1987.

LEGISLATIVE AUTHORITIES

Alberta Statutes which explicitly govern the Public Utilities Board are listed alphabetically.

1. Administrative Procedures Act, RSA 1980, Ch.A-2
2. The AGT - Edmonton Telephones Act, SA 1972, Ch.99
3. Alberta Government Telephones Act, RSA 1980, Ch.A-23
4. Alberta Resources Railway Corporation Act, RSA 1980, Ch.A-36
5. Central Western Railway Corporation Act, SA 1984, Ch.71
6. City Transportation Act, RSA 1980, Ch.C-10
7. Clean Air Act, RSA 1980, Ch.C-12
8. Clean Water Act, RSA 1980, Ch.C-13
9. County Act, RSA 1980, Ch.C-27
10. Crowsnest Pass Municipal Unification Act, RSA 1980, Ch.C-39
11. Dairy Board Act, RSA 1980, Ch.D-1
12. Department of the Environment Act, RSA 1980, Ch.D-19
13. Electric Energy Marketing Act, SA 1981, Ch.E-4.1
14. Electrical Power and Pipe Line Assessment Act, RSA 1980, Ch.E-5
15. Energy Resources Conservation Act, RSA 1980, Ch.E-11
16. Gas Utilities Act, RSA 1980, Ch.G-4
17. Hydro and Electric Energy Act, RSA 1980, Ch.H-13
18. Improvement Districts Act, RSA 1980, Ch.I-1
19. Municipal Government Act, RSA 1980, Ch.M-26
20. Municipal Taxation Act, RSA 1980, Ch.M-31
21. Natural Gas Marketing Act, SA 1986, Ch.N-2.8
22. Natural Gas Price Administration Act, RSA 1980, Ch.N-3
23. Natural Gas Pricing Agreement Act, RSA 1980, Ch.N-4
24. Natural Gas Rebates Act, RSA 1980, Ch.N-5
25. NOVA Corporation of Alberta Act, RSA 1980, Ch.N-12
26. Oil and Gas Conservation Act, RSA 1980, Ch.O-5
27. Petroleum Marketing Act, RSA 1980, Ch.P-5
28. Public Utilities Board Act, RSA 1980, Ch.P-37
29. Railway Act, RSA 1980, Ch.R-4
30. Regional Municipal Services Act, SA 1981, Ch.R-9.1
31. Rural Electrification Long Term Financing Act, RSA 1980, Ch.R-17
32. Rural Electrification Revolving Fund Act, RSA 1980, Ch.R-18
33. Rural Gas Act, RSA 1980, Ch.R-19
34. Water, Gas, Electric and Telephone Companies Act, RSA 1980, Ch.W-4
35. Water Resources Act, RSA 1980, Ch.W-5

APPENDIX 3

SUMMARY OF CHANGES IN CUSTOMER RATES

Reflected hereunder is a summary of "average" residential utility bills since 1970.

Calculations are based upon an assumed annual usage of 6000 kWh for electricity, 227 GJ (215 Mcf or 2150 Therms) for gas. A typical residential rate was selected in each case, and applied to 1/12 of the total annual consumption. These calculations in respect to electric and gas utilities include the franchise tax but exclude the income tax rebate.

1. **TELECOMMUNICATIONS UTILITIES**

(a) Alberta Government Telephones

(1) City of Calgary Residential and Business Local Exchange Rate

DECISION/ ORDER NO.	RATES EFFECTIVE	EXCHANGE MONTHLY BILL		PERCENTAGE INCREASE (RESIDENTIAL)		PERCENTAGE INCREASE (BUSINESS)	
		RESIDENTIAL	BUSINESS	OVER 1970	OVER PREVIOUS	OVER 1970	OVER PREVIOUS
	1970	$4.25	$11.00	—	—	—	—
	1971	$4.25	$11.00	—	—	—	—
	1972	$4.25	$11.00	—	—	—	—
	1974	$4.25	$11.00	—	—	—	—
E75151	Dec 1/75	$5.10	$13.20	20.00%	20.00%	20.00%	20.00%
E76091	Sep 1/76	$5.60	$14.50	31.76%	9.80%	31.82%	9.85%
E77148	Aug 1/77	$6.10	$15.90	43.53%	8.93%	44.55%	9.66%
Filing 79-28	Sep 1/79	$6.60	$17.15	55.29%	8.20%	55.91%	7.86%
E82103	Apr 1/82	$7.30	$19.75	71.76%	10.61%	79.55%	15.16%
E83060	Apr 1/83	$7.75	$20.95	82.35%	6.16%	90.45%	6.08%
E84083[1]	Jul 1/84	$9.75	$24.95	129.41%	25.81%	126.82%	19.09%
E85046	Aug 28/85	$9.28	$23.74	118.35%	(4.82%)	115.82%	(4.85%)

[1] Interim rates.

(2) Calgary to Edmonton Station to Station 5 Minute Message Toll Call

DECISION/ ORDER NO.	RATES EFFECTIVE	TOLL CHARGE RESIDENTIAL AND BUSINESS	PERCENTAGE INCREASE RESIDENTIAL AND BUSINESS OVER 1970	OVER PREVIOUS
	1970	$1.82	—	—
	1971	$1.82	—	—
	1972	$1.82	—	—
	1973	$1.82	—	—
	1974	$1.82	—	—
E75151	Dec 1/75	$2.20	20.88%	20.88%
E76091	Sep 1/76	$2.41	32.42%	9.55%
E77148	Aug 1/77	$2.48	36.26%	2.90%
E82103	Apr 1/82	$2.85	56.59%	14.92%
E83060	Apr 1/83	$3.05	67.58%	7.02%
E84083[1]	Jul 1/84	$3.10	70.33%	1.64%
E85046	Aug 28/85	$2.94	61.54%	(5.16%)

[1] Interim rates.

2. **ELECTRIC UTILITIES**

(a) Alberta Power Limited (Grande Prairie)

DECISION/ ORDER NO.	RATES EFFECTIVE	AVERAGE MONTHLY BILL	PERCENTAGE INCREASE OVER 1970	PERCENTAGE INCREASE OVER PREVIOUS
	1970	$12.10	—	—
	1971	$12.10	—	—
	1972	$12.10	—	—
	1973	$12.10	—	—
30761	Jun 1/74	$14.25	17.77%	17.77%
E75076	Aug 1/75	$17.33	43.22%	21.61%
E75163	Jan 1/76	$18.70	54.55%	7.91%
E76036	May 1/76	$19.91	64.55%	6.47%
E77116	Aug 1/77	$24.77	104.75%	24.41%
E79170	Jan 1/80	$27.53	127.52%	11.14%
E80231	Jan 1/81	$32.29	166.86%	17.29%
E81179	Oct 1/81	$37.51	210.00%	16.17%
E82007	Feb 1/82	$49.12	305.95%	30.95%
E82110	Apr 1/82	$45.89	279.26%	(6.58%)
E82211	Sep 1/82	$33.69	178.43%	(26.59%)
Filing 83-1	Feb 2/83	$32.56	169.09%	(3.35%)
Filing 83-5	Nov 1/83	$35.12	190.25%	7.86%
Filing 84-2	Jan 1/84	$36.75	203.72%	4.64%
Filing 84-1	Feb 1/84	$36.86	204.63%	0.30%
Filing 85-1	Feb 1/85	$36.60	202.48%	(0.71%)
E85092	Jul 1/85	$35.04	189.59%	(4.26%)
Filing 85-3 & -4	Aug 1/85	$36.00	197.52%	2.74%
Filing 85-5	Jan 1/86	$35.29	191.65%	(1.97%)
Filing 86-1	Feb 1/86	$35.39	192.48%	0.28%
E86007	Mar 1/86	$28.68	137.02%	(18.96%)
E86071	Oct 1/86	$35.15	190.50%	22.56%
E86072[1]	Nov 1/86	$36.71	203.39%	4.44%
E87046[2]	Jun 1/87	$38.73	220.08%	5.50%
E87098[2]	Nov 1/87	$43.16	256.69%	11.14%

The Filings reflect adjustments to the rate rider reflecting the monies received from the Electric Energy Marketing Commission, and to the rate rider for Municipal Taxes.

[1] Interim rates, net of refund rider.

[2] Final Rates net of refund rider and including the 1985 EEMA Adjustment Surcharge.

APPENDIX 3

(b) TransAlta Utilities Corporation
(Rate 150 - Standard, changed to Rate 160 - Standard effective Oct 1/83
Rates 160 and 170 combined into Rate 190 effective Feb 1/86)

DECISION/ ORDER NO.	RATES EFFECTIVE	AVERAGE MONTHLY BILL	PERCENTAGE INCREASE OVER 1970	PERCENTAGE INCREASE OVER PREVIOUS
	1970	$ 9.00	—	—
	1971	$ 9.00	—	—
	1972	$ 9.00	—	—
	1973	$ 9.00	—	—
30513	Apr 1/73	$10.70	18.89%	18.89%
30656	Apr 1/74	$11.26	25.11%	5.23%
30923	Oct 1/74	$11.38	26.44%	1.06%
30886	Jan 1/75	$13.23	47.00%	16.26%
C75174	Jan 1/76	$15.05	67.22%	13.76%
E76089	Jul 1/76	$16.40	82.22%	8.97%
E76138	Jan 1/77	$18.61	106.77%	13.48%
E78105	Feb 1/78	$21.76	141.78%	15.99%
E79037	Mar 1/79	$23.59	162.11%	8.41%
E80009	Feb 1/80	$25.09	178.78%	6.36%
E81174	Oct 1/81	$29.00	222.22%	15.58%
E82203	Aug 1/82	$29.60	228.89%	2.07%
E83001	Jan 1/83	$34.04	278.22%	15.00%
C83440	Sep 1/83	$34.89	287.66%	2.50%
E83150	Oct 1/83	$39.21	335.67%	12.37%
E84067	May 1/84	$38.25	325.00%	(2.50%)
E85006	Feb 1/85	$40.88	354.22%	6.88%
E85006	Jun 1/85	$38.93[1]	332.56%	(5.00%)[1]
E86005	Feb 1/86	$40.65	351.67%	4.42%
E87042	Jul 1/87	$40.61	351.22%	(0.10%)
E87125	Jan 1/88	$40.89	354.33%	0.69%

[1] Reflects expiry of 5% rider.

3. **NATURAL GAS UTILITIES**

(a) Canadian Western Natural Gas Company Limited (Calgary)

DECISION/ ORDER NO.	RATES EFFECTIVE	AVERAGE MONTHLY BILL	PERCENTAGE INCREASE OVER 1970	PERCENTAGE INCREASE OVER PREVIOUS
	1970	$ 9.54	—	—
	1971	$ 9.54	—	—
	1972	$ 9.54	—	—
	1973	$ 9.54	—	—
30917	Aug 1/74	$11.49	20.44%	20.44%
C75203	Jul 1/75	$14.29	49.79%	24.37%
C75313	Sep 1/75	$17.87	87.32%	25.05%
C76089	Jul 1/76	$19.54	104.82%	9.35%
E76143	Jan 1/77	$20.55	115.41%	5.17%
E77060	Apr 1/77	$23.16	142.77%	12.70%
E77120	Aug 1/77	$23.85	150.00%	2.98%
E78028	Mar 1/78	$24.60	157.86%	3.14%
E78103	Aug 1/78	$27.90	192.45%	13.41%
E80018	Feb 1/80	$28.69	200.73%	2.83%
E80136	Oct 1/80	$38.75	306.18%	35.06%
E80391[1]	Nov 1/80	$43.98	361.00%	13.50%
E81053	May 5/81	$46.80	390.53%	6.40%
E81107	Jul 1/81	$50.88	433.31%	8.91%
E81208	Nov 1/81	$49.11	414.73%	(3.09%)
E81249	Jan 1/82	$51.97	444.76%	5.82%
E82017	Feb 1/82	$60.21	531.13%	15.86%
E82193	Aug 1/82	$63.76	568.34%	5.90%
E82204	Sep 1/82	$73.14	666.66%	14.71%
E82204	Jan 1/83	$71.80	652.62%	(1.83%)
E83026	Feb 1/83	$71.03	644.55%	(1.07%)
E83085	Jul 1/83	$65.56	587.21%	(7.70%)
E83086	Aug 1/83	$62.22	552.20%	(5.09%)
E83140	Nov 1/83	$66.44	596.44%	6.78%
E84047	Mar 1/84	$64.57	576.83%	(2.81%)
E85023	Feb 1/85	$66.17	593.61%	2.48%
C85189	Jun 1/85	$62.63	556.50%	(5.35%)
C85248	Nov 1/85	$67.42	606.71%	5.96%
C86005	Apr 1/86	$68.01	612.89%	0.87%
C86002[2]	Oct 1/86	$67.71	609.75%	(0.45%)
C86025[2]	Nov 1/86	$67.61	608.70%	(0.15%)
C86033	Jan 1/87	$67.09	603.25%	(0.77%)
E87052	Jul 1/87	$62.89	559.22%	(6.26%)
C87118	Nov 6/87	$66.53	597.38%	5.47%

[1] Prices on and after November 1, 1980, include the Federal Natural Gas and Gas Liquids Tax up to February 1, 1984, when the tax was reduced to a zero rate. Prices after May 1, 1981 include the Federal Canadian Ownership Special Charge up to June 1, 1985 when the charge was removed.

[2] Reflects the elimination of the Petroleum and Gas Revenue Tax.

APPENDIX 3

(b) Northwestern Utilities Limited (Edmonton)

DECISION/ ORDER NO.	RATES EFFECTIVE	AVERAGE MONTHLY BILL	PERCENTAGE INCREASE OVER 1970	PERCENTAGE INCREASE OVER PREVIOUS
	1970	$ 9.09	—	—
	1971	$ 9.09	—	—
	1972	$ 9.09	—	—
30948	Nov 1/74	$10.14	11.55%	5.96%
E75048	Jun 1/75	$10.98	20.79%	8.28%
E75063	Jul 1/75	$11.40	25.41%	3.83%
E75148	Oct 1/75	$13.51	48.62%	18.51%
E76043	May 1/76	$18.55	104.07%	37.31%
E76144	Jan 1/77	$21.86	140.48%	17.86%
E77074	May 1/77	$24.65	171.18%	12.76%
E77119	Jul 1/77	$26.27	189.00%	6.57%
E78024	Mar 1/78	$27.00	197.03%	2.77%
E80019	Feb 1/80	$27.74	205.17%	2.74%
E80105	Aug 1/80	$32.10	253.14%	15.71%
E80130	Oct 1/80	$40.94	350.39%	27.54%
E80166[1]	Nov 6/80	$46.82	415.04%	14.36%
E81009	Feb 1/81	$44.97	394.76%	(3.95%)
E81054	May 5/81	$47.93	427.28%	6.58%
E81102	Jul 1/81	$52.75	480.31%	10.06%
E81209	Nov 1/81	$50.56	456.22%	(4.15%)
E81250	Jan 1/82	$50.76	458.42%	0.40%
E82019	Feb 1/82	$59.39	553.36%	17.00%
E82169	Aug 1/82	$62.91	592.41%	5.98%
E82201	Sep 1/82	$68.34	651.82%	8.58%
E83025	Feb 1/83	$66.47	631.24%	(2.74%)
E83117	Aug 1/83	$61.62	577.89%	(7.30%)
E84014	Jan 31/84	$61.98	581.85%	0.58%
E84048	Mar 1/84	$60.95	570.52%	(1.66%)
E84141	Nov 1/84	$65.80	623.87%	7.96%
E85024	Feb 1/85	$67.15	638.72%	2.05%
E85071[1]	Jun 1/85	$63.74	601.21%	(5.08%)
E86074[2]	Oct 1/86	$60.68	567.50%	(4.80%)
E86085[3]	Nov 1/86	$60.38	564.26%	(0.49%)
E87024	May 1/87	$64.71	611.85%	7.17%
E87051[3]	Jul 1/87	$59.45	554.04%	(8.12%)
E87117[3]	Nov 6/87	$59.39	553.30%	(0.11%)

[1] Prices on and after November 1, 1980, include the Federal Natural Gas and Gas Liquids Tax up to February 1, 1984, when the tax was reduced to a zero rate. Prices after May 1, 1981 include the Federal Canadian Ownership Special Charge up to June 1, 1985 when the charge was removed.

[2] Reflects the elimination of the Petroleum and Gas Revenue Tax.

[3] Interim rates.

(c) ICG Utilities (Alberta) Ltd. (Leduc Division)

DECISION/ ORDER NO.	RATES EFFECTIVE	AVERAGE MONTHLY BILL	PERCENTAGE INCREASE OVER 1970	PERCENTAGE INCREASE OVER PREVIOUS
	1970	$ 9.63	—	—
	1971	$ 9.63	—	—
	1972	$ 9.63	—	—
	1973	$ 9.63	—	—
30931	Oct 1/74	$11.77	22.22%	22.22%
E75071	Jul 17/75	$16.24	68.64%	37.98%
C75333	Sep 15/75	$18.04	87.33%	11.08%
E76009	Feb 1/76	$19.75	105.09%	9.48%
E76025	May 1/76	$20.33	111.11%	2.94%
E76087	Jul 1/76	$20.55	113.40%	1.08%
E77067	May 1/77	$28.63	197.30%	39.32%
E77090	Jun 1/77	$29.37	204.98%	2.58%
E77142	Sep 1/77	$30.75	219.31%	4.70%
E78026	Mar 1/78	$27.75	188.16%	(8.93%)
E78147	Nov 1/78	$30.53	217.03%	10.02%
E79068	Jun 1/79	$35.53	268.95%	16.53%
E80029	Mar 1/80	$36.38	277.78%	2.39%
E80145	Sep 1/80	$40.13	316.72%	10.31%
E80197[1]	Nov 1/80	$45.90	376.64%	14.38%
E81093	May 1/81	$48.80	406.75%	6.32%
E81112	Jun 1/81	$50.96	429.18%	5.42%
E81210	Oct 1/81	$50.00	419.21%	(1.88%)
E82043	Feb 1/82	$57.71	499.27%	15.42%
E82127	May 1/82	$61.83	542.06%	7.14%
E82199	Aug 1/82	$64.93	574.25%	5.01%
E83055	Feb 1/83	$64.34	568.12%	(.91%)
E83064	Apr 1/83	$67.79	603.95%	5.36%
E83115	Aug 1/83	$64.84	573.31%	(4.35%)
E83151	Dec 1/83	$66.52	590.76%	2.59%
E84021	Mar 1/84	$65.71	582.35%	(1.22%)
E84097	Jul 1/84	$68.31	609.35%	3.97%
E84130	Oct 1/84	$66.03	585.67%	(3.34%)
E85005	Jan 1/85	$67.32	599.07%	1.95%
E85133	Jun 1/85	$64.61	570.92%	(4.03%)
E85145	Jan 1/86	$67.07	596.47%	3.81%
E86056	Aug 1/86	$69.75	624.34%	4.00%
E86084[2]	Nov 1/86	$69.22	618.75%	(0.77%)
E87015	Mar 1/87	$67.90	605.09%	(1.91%)
E87081	Sep 1/87	$65.82	583.49%	(3.06%)

[1] Prices on and after November 1, 1980, include the Federal Natural Gas and Gas Liquids Tax up to February 1, 1984, when the tax was reduced to a zero rate. Prices after May 1, 1981 include the Federal Canadian Ownership Special Charge up to June 1, 1985, when the charge was removed.

[2] Reflects the elimination of the Petroleum and Gas Revenue Tax.

APPENDIX 4

SUMMARY OF INCREASES IN MILK PRICES

PRICES EFFECTIVE ON	MINIMUM PRODUCER	MINIMUM RETAIL (2% MILK)	2% MILK PERCENTAGE INCREASE OVER JULY 15, 1970	2% MILK PERCENTAGE INCREASE OVER PREVIOUS
Jul 15/70	$ 6.25 per cwt.	$0.28 per qt.	—	—
Sep 1/71	.25 per cwt.	0.29 per qt.	3.57%	3.57%
Jan 1/73	6.85 per cwt.	0.31 per qt.	10.71%	6.90%
Sep 15/73	8.80 per cwt.	0.36 per qt.	28.57%	16.13%
Oct 15/73	8.80 per cwt.	0.33 per qt.	17.86%[1]	(8.33%)[1]
Apr 15/74	10.31 per cwt.	0.37 per qt.	32.14%	12.12%
Nov 1/74	11.07 per cwt.	0.41 per qt.	46.43%	10.81%
Dec 1/74	11.45 per cwt.	0.44 per qt.	57.14%	7.32%
Jan 20/75	(Processor Price Change Only)	0.46 per qt.	64.29%	4.55%
Jun 1/75	11.83 per cwt.	0.49 per qt.	75.00%	6.52%
Sep 1/75	(Processor Price Change Only)	0.50 per qt.	78.57%	2.04%
Dec 1/75	12.21 per cwt.	0.51 per qt.	82.14%	2.00%
Apr 1/76	12.59 per cwt.	0.52 per qt.	85.71%	1.96%
Jan 1/77	12.97 per cwt.	0.53 per qt.	89.29%	1.92%
Feb 1/77	12.97 per cwt.	0.49 per litre	98.89%[2]	5.07%[2]
Jan 1/78	13.40 per cwt.	0.50 per litre	102.95%	2.04%
Oct 2/78	(Processor Price Change Only)	0.51 per litre	107.01%	2.00%
Feb 1/79	13.83 per cwt.	0.52 per litre	111.06%	1.96%
May 1/79	14.26 per cwt.	0.53 per litre	115.12%	1.92%
Jul 1/79	(Processor Price Change Only)	0.54 per litre	119.18%	1.89%
Aug 1/79	33.37 per hL	0.55 per litre	123.24%	1.85%
Oct 1/79	34.47 per hL	0.56 per litre	127.30%	1.82%
Jan 1/80	35.37 per hL	0.57 per litre	131.36%	1.79%
May 1/80	36.37 per hL	0.58 per litre	135.42%	1.75%
Jul 1/80	38.33 per hL	0.60 per litre	143.54%	3.45%
Aug 1/80	39.31 per hL	0.63 per litre[3]	155.71%	5.00%
Oct 1/80	40.29 per hL	0.64 per litre	159.77%	1.59%
Dec 1/80	41.27 per hL	0.65 per litre	163.83%	1.56%
Mar 1/81	42.25 per hL	0.66 per litre	167.90%	1.54%
May 11/81	(Processor Price Change Only)	0.67 per litre	171.96%	1.52%
Jul 1/81	43.23 per hL	0.68 per litre	176.02%	1.49%
Jul 13/81	(Processor Price Change Only)	0.70 per litre	184.13%	2.94%
Mar 1/82	44.21 per hL	0.71 per litre	188.18%	1.43%
Jul 1/82	45.19 per hL	0.72 per litre	192.24%	1.41%
Sep 1/82	(Processor Price Change Only)	0.77 per litre	212.54%	6.94%
Feb 1/83	46.17 per hL	0.78 per litre	216.60%	1.30%
Sep 1/83	47.15 per hL	0.79 per litre	220.66%	1.28%
Apr 1/84	48.13 per hL	0.80 per litre	224.71%	1.27%
Jul 1/84	49.11 per hL	0.81 per litre	228.77%	1.25%
Mar 1/85	50.09 per hL	0.82 per litre	232.83%	1.23%
Sep 16/85	51.07 per hL	0.83 per litre	236.89%	1.22%
Mar 1/86	(Processor/Wholesaler Price Change Only)	0.86 per litre	249.07%	3.61%
Apr 15/86	50.09 per hL	0.85 per litre	245.01%	(1.16%)
Oct 1/86	49.11 per hL	0.84 per litre	240.95%	(1.18%)
Dec 1/86	48.13 per hL	0.83 per litre	236.89%	(1.19%)
Jun 15/87	47.15 per hL	0.82 per litre	232.83%	(1.20%)

APPENDIX 4

PRICES EFFECTIVE ON	MINIMUM PRODUCER	MINIMUM RETAIL (2% MILK)	2% MILK PERCENTAGE INCREASE OVER JULY 15, 1970	2% MILK PERCENTAGE INCREASE OVER PREVIOUS
Sep 14/87	48.13 per hL	0.83 per litre	236.89%	1.22%
Jan 1/88	(Processor Price Change Only)	0.84 per litre	240.95%[4]	1.20%

Commencing August 1, 1979 for minimum producer prices, and February 1, 1977 for minimum retail prices the amounts in this table are reported in metric measure. Conversion factors are:

1 cwt. (hundredweight) = .44049 hL (hectolitre)

1 qt. (quart) = 1.1365 litres

Notes: [1] Decrease due to temporary Federal Government subsidy.

[2] The percentage increases have been calculated taking into account the change in measurement from quarts to litres.

[3] Processor and Producer price change.

[4] Interim Order

APPENDIX 5

SUMMARY OF NATURAL GAS REBATE CERTIFICATES ISSUED DURING 1987

TYPE OF APPLICANT	FINAL CERTIFICATES[1] ISSUED SUPPLY[2]	RATES[3]
(a) Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and ICG Utilities (Alberta) Ltd.	93	12
(b) Smaller Gas Utilities	4	4
(c) Natural Gas Co-operatives	1	1
(d) Eligible Consumers	—	—
Total Number of Certificates Issued	98	17

Notes:

[1] The Supply and Rates Certificates enable the applicants to receive natural gas rebates under the Natural Gas Price Protection Plan which requires that the benefit of the whole of the rebate is passed on in the rates charged to the eligible consumers.

[2] A supply Certificate certifies that the gas supply contract concerned and all other purchase contracts pertaining to the same marketable gas and the respective prices of gas under those contracts are deemed by the Board to be just and reasonable for the purposes of the Natural Gas Rebates Act and the Regulations.

[3] A rates Certificate certifies that the rates or prices proposed to be charged to the eligible consumers in the event that the rebate is paid are deemed by the Board to be just and reasonable for the purposes of the Natural Gas Rebates Act and the Regulations.

LITIGATION PROCEEDINGS

Appeals of Board Orders and Decisions to The Alberta Court of Appeal

ITEM ORDER NUMBER(S)

(a) FILE NUMBER AND APPELLANT
(b) RESPONDENTS OTHER THAN THE BOARD
(c) SUBJECT MATTER
(d) STATUS

1.01 E85004

(a) E3.5.89-45 (Appeal)-1/Alberta Power Limited

(b) City of Lloydminster, City of Grande Prairie, Town of Peace River, Town of Slave Lake, Town of Vegreville, City of Calgary, Alberta Union of Rural Electrification Associations, Alberta Association of Municipal Districts and Counties, Alberta Electric Energy Marketing Agency, Amoco Canada Petroleum Company Ltd., TransAlta Utilities Corporation, Edmonton Power, Industrial Power Consumers Association of Alberta, City of Lethbridge and Board of Governors of Lakeland College

(c) Challenged the Board's authority to fix just and reasonable rates, tolls or charges under Section 83(2) of the Public Utilities Board Act and Section 13.1 of the Electric Energy Marketing Act.

(d) Notice of Abandonment of Appeal filed May 19, 1987.

1.02 E85012

(a) E3.5.89-45 (Appeal)-2/Alberta Power Limited

(b) City of Lloydminster, City of Grande Prairie, Town of Peace River, Town of Slave Lake, Town of Vegreville, City of Calgary, Alberta Union of Rural Electrification Associations, Alberta Association of Municipal Districts and Counties, Alberta Electric Energy Marketing Agency, Amoco Canada Petroleum Company Ltd., TransAlta Utilities Corporation, Edmonton Power, Industrial Power Consumers Association of Alberta, City of Lethbridge and Board of Governors of Lakeland College

(c) Challenged the Board's jurisdiction to set an Alberta Power Limited price to the Electric Energy Marketing Agency for 1984.

(d) Notice of Abandonment of Appeal filed May 19, 1987.

1.03 E87069

(a) E4.510.88-1/Alberta and Southern Gas Co. Ltd.

(b) Alberta and Southern Gas Co. Ltd.

(c) The Board issued Decision E87069 on July 27, 1987. The Alberta Petroleum Marketing Commission (APMC) by Notice of Motion dated August 21, 1987 filed Leave to Appeal on the grounds that the Board erred:

(1) in failing to find that the APMC had jurisdiction to determine the cost of service retroactively, based on audited actual experience;

(2) in finding that the APMC had an implied power to determine retroactively cost of service only if involving fraud, misrepresentation or other such material matter going to the root of the determination;

(3) in failing to find that the Determination 87-01 made by the APMC dated January 9, 1987 regarding the review of the statement of objection filed by Alberta and Southern Gas Co. Ltd. to the Alberta Cost of Service Determination for that company for the month of July, 1986 involved the correction of an error in the nature of an accounting error;

(4) in failing to find that the audit process of actually incurred costs of service experience was an implied or lawful part of the jurisdiction of the APMC under the Natural Gas Pricing Agreement Act; and

(5) in failing to find that the Determination 87-01 made by the APMC dated January 9, 1987 involved the retroactive treatment of a material matter going to the root of the determination.

(d) Application for Leave to Appeal was dismissed by the Court of Appeal on September 23, 1987.

1.04 E84113

(a) E4.7.24(1)(g)-4 (Appeal)/Canadian Western Natural Gas Company Limited

(b) No others

(c) Questioned the Board's jurisdiction to order that the gain on sale of fixed assets accrued to the customers of Canadian Western Natural Gas Company Limited.

(d) Application for Leave to Appeal adjourned sine die January 29, 1985.

1.05 E83061

(a) E4.707.88-1,-2 (Appeal)/Husky Oil Operations Ltd.

(b) No others

(c) Leave to Appeal granted on the issues of whether the Board, having regard to the statutory duty to determine the cost of processing the Savanna Creek Producers' gas, acted judicially, and whether the Board could reach the decision it did on the evidence before it; and whether the Board failed to determine an appropriate formula or method of allocating the cost of fuel gas of Westcoast Transmission Company Limited.

(d) On December 11, 1985, the Court of Appeal referred this matter back to the Board for clarification of the fuel cost allocation formula. By letter dated April 15, 1987, counsel for Husky Oil Operations Ltd. advised that this matter had been resolved by the parties. Consequently, no further action was taken by the Board.

1.06 E87113

(a) E4.707.77-5, 6 (Appeal)/Westcoast Transmission Company Limited

(b) Husky Oil Operations Ltd., Husky Oil Operations Ltd. on behalf of the Savanna Creek Producers, the Alberta Petroleum Marketing Commission

(c) The grounds for Leave to Appeal were that the Board erred:

APPENDIX 6

(1) in taking account of by-product revenue derived from sulphur sales in making its determination considered subject matter which is beyond the jurisdiction conferred on the said Board by the Natural Gas Pricing Agreement Act, R.S.A. 1980, Chap. N-4, as amended, and the Natural Gas Price Administration Act, R.S.A. 1980, Chap. N-3, as amended;

(2) in taking account of by-product revenue derived from sulphur sales allowed the Respondent Husky Oil Operations Ltd. to recover in excess of the price prescribed by the Natural Gas Pricing Agreement Act and the Natural Gas Price Administration Act;

(3) In taking account of by-product revenue derived from sulphur sales as such failed to determine the appropriate cost and charges for Alberta Cost of Service in accordance with the said Natural Gas Pricing Agreement Act and Natural Gas Price Administration Act; and

(4) in granting an order with respect to the appeal from the Alberta Cost of Service determination for the month of February, 1980 purported to apply it to the Alberta Cost of Service determinations for the remaining months of 1980 and all of the months of 1981 from which no appeal was taken.

(d) The application for Leave to Appeal was adjourned sine die on November 26, 1987 and had not been completed at year end.

1.07
E87113

(a) E4.70.7.77-5, 6 Appeal Vol. 2/ Husky Oil Operations Ltd.

(b) Alberta Petroleum Marketing Commission

(c) Application for Leave to Appeal Decision E87113 on the ground that the Board erred in law or jurisdiction.

(d) This application for Leave to Appeal was adjourned sine die on November 30, 1987 and had not been completed at year end.

1.08
E85033

(a) E4.1275.88-1 (Appeal)/Signalta Resources Limited

(b) No others

(c) Challenged the Board's decision to include Signalta's Gas Purchase Contract in category D_1B_2 for the purposes of determining the Alberta Cost of Service for TransCanada Pipelines Ltd.

(d) By Decision of the Court of Appeal dated August 21, 1987, the appeal was allowed and remitted back to the Board for redetermination. Order E87001 dated October 2, 1987 referred the matter back to the Alberta Petroleum Marketing Commission for recalculation of the Alberta Cost of Service of Signalta to subcategory D_1D_2 for the revelant months from and including December, 1983.

1.09
E84116
E84140
E84144

(a) E3.6.87(1)(g)-5, E3.6.89-11, E3.6.89-12/TransAlta Utilities Corporation

(b) No others

(c) Appeal to the Court of Appeal on the issues:

(1) By what standard does the Court of Appeal review the interpretation placed by the Board upon the word "revenue" in section 83 of the Public Utilities Board Act?

(2) Applying the standard of review determined to be appropriate, did the Board err in its decision?

(3) As to Decision No. E84144, was the Board bound by sections 13.1 and 13.2 of the Electric Energy Marketing Act not to make a price order for 1984 until after the regulations had been published?

(d) Appeal of Decision No. E84144 respecting the Board's interpretation of the Electric Energy Marketing Act was dismissed on February 12, 1986. By the same judgment, Decisions No. E84116 and No. E84140 were referred back to the Board for a redetermination of the allocation of the proceeds of the sale of assets.

In Decision E87036 dated May 7, 1987, the Board noted the ruling of Mr. Justice Kerans which stated that "(t)he compensation paid by Edmonton gave TransAlta its entire original investment back in 1982 dollars including that portion earlier returned as depreciation allowance." Given that the Court of Appeal had ruled that the proceeds or $15,554,941 represented the original cost including accumulated depreciation allowance in 1982 dollars, the Board considered that the amount of $3,522,962 less applicable income taxes was the amount that should be accounted for as utility revenue by TransAlta.

INQUIRIES BY THE BOARD

SECTION 1: Inquiries directed by the Lieutenant Governor in Council in 1987.

ITEM NUMBER

APPLICATION PARTICULARS
(a) REGISTRATION NUMBER/INQUIRY TITLE
(b) SUBJECT MATTER
(c) PRESENT STATUS

1.01 (a) E4.3.27

Gas Supply and Transportation Service Inquiry

(b) Board proceeding in conjunction with the Energy Resources Conservation Board (ERCB) pursuant to Order in Council 484/87 dated July 22, 1987 to inquire into certain matters relating to the long-term security of natural gas supply and the availability of transportation service therefor to consumers of natural gas in Alberta.

(c) The Boards' Report was completed as of December 29, 1987 for prompt delivery in the new year to the Government. The Executive Summary of the Boards' Report is reproduced verbatim below:

"The gas producing and marketing industries in Canada have been moving toward a greater market orientation since the October 31, 1985 Agreement among the Governments of Canada, Alberta, British Columbia and Saskatchewan on Natural Gas Markets and Prices.

Both the Public Utilities Board (PUB) and the Energy Resources Conservation Board (ERCB) have held related inquiries over the past year and on July 22, 1987, the Lieutenant Governor-in-Council of Alberta issued Order in Council 484/87 requesting the PUB and ERCB (the Boards) to inquire into several matters related to the increased market orientation.

The matters which the Boards were requested to inquire into and report on were as follows:

'(i) the basis for determining the classes of consumers of natural gas who should be protected by contracts for the supply of natural gas that ensure long-term security of supply;

(ii) the terms and conditions of contracts that would ensure long-term security of supply for those consumers;

(iii) the availability of transportation service for natural gas to consumers who wish to contract directly with producers and others for the supply of natural gas;

(iv) any changes that may be required to the terms of access to transmission and distribution facilities, to make them consistent with the government's policy concerning long-term security of supply; and

(v) any other matters considered by the PUB and ERCB to be relevant to any of the matters referred to in subclauses (i) to (iv).'

In response to Order in Council 484/87, a joint inquiry was conducted by representatives of the PUB and ERCB. Input from interested parties was by written submission and in the form of a public hearing held from September 14, through 18, 1987.

The Boards have concluded that the major element of the public interest under consideration is security of supply for appropriate consumers. The recommendations should be consistent with security of supply, achievement of fair prices, access to markets, and general economic efficiencies. They should also be consistent with the increased market-orientation of natural gas supply and distribution, easy to understand and practical to apply.

In arriving at the recommendations contained in this Report, the Boards have proceeded on the understanding that the Provincial Government intends to implement a policy whereby the security of natural gas supply for those classes of consumers in the core market will be provided by mandated contracts. Until such time as that policy is implemented and appropriate legislation is enacted, the Boards will continue to exercise their jurisdiction under the existing legislation.

A summary of the recommendations of the Boards is set out below and the detailed recommendations are collected in Section 8. [Not reproduced]

Summary of Recommendations

The Boards suggest that the classes of consumers who should be protected by contracts ensuring a long-term supply of natural gas (referred to for convenience here as the "core market") should consist of those consumers whose dependence on natural gas is so fundamental that assurance of supplies is always a priority. The core market should include residential and commercial consumers. These consumers may be protected either through reliance on gas utility companies (who would be required to establish an appropriate portfolio of long-term supplies), or through direct sales arranged with producers or brokers, provided these direct sales involve long-term commitments on both sides. The Boards recognize that an argument can be made to include certain small industrial consumers in the protected category but decided that problems associated with the mandate of the PUB make it difficult to include such consumers in a formal definition.

The long-term commitments should be for a period of approximately 10 to 15 years, should include peak-day requirements in the current year, and should contain protective back-up sufficient to convince the Boards that the level of security of supply is adequate. The required long-term arrangements would have to be maintained over time and are intended not only to ensure that consumers are adequately protected but also that the costs of that protection are equitably allocated.

Transportation service should generally be provided to customers, including those in the core market, provided that core customers meet the above conditions requiring assurance of secure long-term supplies, and that core customers choosing to leave the gas distribution utilities, and to arrange their own supplies, absorb all costs associated with that decision. Such costs might include take-or-pay liabilities or load-balancing costs caused by customers departing the system. These customers may return to the distribution system, but they again would have to absorb any costs caused by that decision.

Non-core customers would be allowed to arrange supply and transportation contracts for whatever term they felt appropriate, at rates designed to cover all associated costs.

The difference between core and non-core customers would be essentially as follows:

(a) Core customers would have to acquire supplies for 10 to 15 years, either through distributors or by way of direct sales, whereas non-core customers could arrange any term they were able to negotiate.

(b) Core customers would be the primary beneficiaries of the protection implicit in removal permits, and in hearings that consider the availability of gas to Alberta consumers before approving removals from the Province.

Timing of Implementation of Recomended System

The Boards recognize that the contents of this Report constitute recommendations to be ultimately considered by the Government of Alberta. The subject matter is important and controversial and will likely evoke much reaction. The time for consideration may therefore be lengthy.

Additionally, if the recommendations are accepted, changes will be required to legislation and regulations, and changes may be required to franchise agreements.

The system and procedures needed to administer the mandatory contracting for core consumers and transportation rates which recognize take-or-pay, load-balancing and other costs, may also be somewhat complex.

The PUB will be required to hold hearings to establish the appropriate rates, terms and conditions of transportation service.

Therefore, the Boards envisage that there may be a substantial time period before the recommendations in this Report can be implemented."

1.02 (a) E3.3.17-1

Small Power Inquiry

(b) Board proceeding in conjunction with Energy Resources Conservation Board pursuant to Order in Council 211/87 dated April 9, 1987 to inquire into certain matters relating to the provision of small power electricity generation in Alberta.

(c) The public hearings concluded on October 16, 1987 and the Report to the Government was pending at year end.

SECTION 2: Inquiries of the Board's own motion.

ITEM NUMBER	APPLICATION PARTICULARS (a) FILE NUMBER (b) SUBJECT MATTER (c) PRESENT STATUS

There were no Inquiries of the Board's own motion in 1987.